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The Monitoring and Control of Government Towards Contracted-out Public Service Providers: The Case Study of Saudi Arabia

Muteb Khatim Alanazi

A thesis submitted in fulfillment of the requirements for the degree of
Doctor of Philosophy in Accounting



Department of Accounting
Durham University Business School
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England, United Kingdom
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The Monitoring and Control of Government Towards Contracted-out Public Service Providers: The Case Study of Saudi Arabia

Muteb Khatim Alanazi

Abstract

The process of controlling contracted-out public services has attracted academic studies, however, very few studies have covered this topic in relation to developing countries, such as Saudi Arabia. Saudi Arabia started Vision 2030¹ aiming to improve the performance of the public sector. This vision relies in large part on the private sector, especially privatization² and contracting-out of public services. As the government retains accountability for the quality of the services, they must monitor public-service contracts in order to achieve their objectives. Therefore, drawing on Structuration Theory (ST), which is novel for this context, this study aims to explore how the relationship between the government and public service providers is associated with controls and monitoring systems put in place. Few studies have examined these areas in relation to the public sector in detail. To bridge these gaps in previous accounting studies, 33 interviews were conducted, and relevant documents were collected. Two public services (public transportation and elderly care) were examined in two Saudi Arabian cities, Riyadh and Dammam, meaning that a total of four comparative case studies were explored. This is another novelty as this study attempts to broaden the understanding of controls and relations by investigating multiple studies. The results showed that control mechanisms were utilized differently by government actors at various levels and connected with the relationships between government and providers. Processual/relational variables played key roles, and they were strictly linked with the control systems. Different perspectives with regard to the enabling and constraining role of controls were revealed. Some patterns between controls and ST variables were discovered.

¹ A long-term blueprint launched in 2016 based on three main pillars: a vibrant society, a thriving economy, and an ambitious nation. To this end, the government has implemented 13 programs that include strategic, detailed objectives (Saudi Vision 2030, 2020).

² Privatization was defined by Savas (1987, p. 889) as an “increased governmental reliance on the private sector, rather than on government agencies, to satisfy the needs for society.”

Declaration

This dissertation was carried out at the Department of Accounting, Durham University, England, United Kingdom. It is entirely the own work of the PhD candidate and does not contain any material that has been previously submitted elsewhere for any other degree or qualification.

12/12/2022

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Conferences and PhD colloquia participation

- Attended the “Charities, Nonprofits, and NGOs: (Re)building Trust and Legitimacy” Conference held at Queen’s University Belfast (QUB), organized by the Queen’s Centre for Not-for-profit and Public Sector Research (CNPR), Belfast, United Kingdom, 3-4 September 2019.
- Presented PhD research at the PhD Seminar Series held at Queen’s Management Schools in QUB, Belfast, United Kingdom, 10 February 2021.
- Presented PhD research at the PhD Spring School in Public Sector Accounting held at the School of Management and Law at the Zurich University of Applied Sciences (ZHAW), Winterthur, Switzerland, 10-12 May 2021.
- Attended the 18th Biennial Comparative International Governmental Accounting Research (CIGAR) Conference held at Vrije Universiteit Amsterdam (VU), Amsterdam, the Netherlands, 23-25 June 2021.
- Presented PhD research at the British Accounting and Finance Association (BAFA) conference held at the University of Nottingham, Nottingham, United Kingdom, 11-13 April 2022.

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Dedication

To my parents, wife, sons, and daughter.

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List of Abbreviations and Acronyms

Adaa	National Center for Performance Measurement
CEDA	Council of Economic and Development Affairs
CEE	Central and Eastern Europe
CPO	Central Planning Organization
CPSA	Council of Political and Security Affairs
CSE	Center of Spending Efficiency
G20	Group of Twenty
GAT	General Administration for Traffic
GCA	General Court of Audit
IMF	International Monetary Fund
IPA	Institute of Public Administration
IPSASs	International Public Sector Accounting Standards
KPIs	Key Performance Indicators
MENA	Middle East and North Africa
MEP	Ministry of Economy and Planning
MHRSD	Ministry of Human Resource and Social Development
MoF	Ministry of Finance
MoI	Ministry of Interior
MOMRA	Ministry of Municipal and Rural Affairs
NCP	National Center for Privatization and Public-Private Partnerships
NPG	New Public Governance
NPM	New Public Management
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PA	Public Administration
PG	Public Governance
PMS	Performance Measurement Systems
PPPs	Public-Private Partnerships
RBV	Resource-Based View
RCRC	Royal Commission for Riyadh City
SAGIA	Saudi Arabia General Investment Authority
SAPTCO	Saudi Public Transport Company
SAR	Saudi Arabian Riyal
SMO	Strategic Management Office
SOCPA	Saudi Organization for Certified Public Accountants
ST	Structuration theory
TCE	Transactional Cost Economics
TGA	Transport General Authority
WHO	World Health Organization
WTO	World Trade Organization

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CHAPTER ONE

INTRODUCTION TO THE RESEARCH

1.1 RESEARCH BACKGROUND

In both developed and less-developed countries, the public sector has been subjected to multiple procedural reforms aiming to improve the performance of this vital sector. Over the past few decades, governments have shifted from directly delivering public services to contracting them out (Milward, 1996; Fernandez, 2007; Petersen, Hjelmarb and Vrangbækc 2018). The number of awarded contracts by governments have been continuously increasing (Malatesta and Smith, 2014). This has changed the function of government within the public realm being described as “steering and not rowing” (Osborne and Gaebler, 1991). The move toward contracting-out was driven by a reform model called New Public Management (NPM), which aimed to reduce public expenditures and improve the quality of services (Hood, 1991). Therefore, the notion of contracting-out public services has become part of the key reform tools employed by governments in the public sector. Contracting-out occurs when a government purchases services from a (non)profit organization under a contract but remains accountable for the service outputs (Cristofoli et al. 2010). This has created new forms of governance which involve interaction between government and other businesses (including private entities) (Miller et al. 2008). With continued stress on accountability in the public sector (Romzek, 2000; Almqvist et al. 2013; Vosselman, 2016), the reframing and developing management and accounting control tools to monitor public service providers are necessary. Under the NPM model, accounting-based technologies (e.g., performance evaluation systems, accounting procedures, and controlling mechanisms) (Bracci and Llewellyn, 2012) are essential components that play pivotal roles in monitoring and control of the public sector (Paterson et al. 2019).

According to Broadbent and Guthrie (2008), public sector accounting researchers should focus on the delivery of public services instead of the public-sector ownership and organizational structure. However, despite the wide acceptance and use of the contracting-out of public services, only a few accounting studies have been conducted to elucidate the mode of the monitoring and controlling of the public services that are contracted out (Cristofoli et al. 2010; Dittillo et al. 2015). Previous studies have been focused on contracting-out decision-making (Damanpour, Magelssen and Walker, 2019; Alonso, Andrews and Hodgkinson, 2016; Bel, Fageda and Warner, 2010; Brown and Potoski, 2003a), while the control stage of the contracted-out public services has not been given much attention. Inadequate management accounting research of control systems in the context of contracted-out public services may further blur this aspect, making the evolution of this role in the public sector more challenging. The existing accounting literature covers some aspects about control topics; nevertheless, it only takes into consideration the particular combinations of control mechanisms used and their determinants to a limited extent, often neglecting the nuanced processes, relationships, and systems under which these services are monitored and controlled (Cristofoli et al. 2010; Dittillo et al. 2015). Given that contracting-out can be complicated, encompassing a wide range of interests beyond the simple actions of only providing services, the relationships between the parties involved may revolve around tremendous uncertainty or risk (Langfield-Smith and Smith, 2003). In light of the foregoing, exploring contracted-out relationships and control systems used for externalized public services seems to be paramount.

Theories such as transactional costs economics (TCE) (Malatesta and Smith, 2014; Langfield-Smith and Smith, 2003; Speklé, 2001) and agency theory (Marvel and Marvel, 2008; Van Slyke, 2007; Milward and Provan, 2000) are among those so far most used to investigate controls but since this thesis looks at relationships, it employs ST, which is new for this context. Moreover, this study is based on a qualitative approach in which interviews and documents are the main sources of data.

This chapter aims to provide an overview of this research thesis, starting with an explanation about the research problem. The research objective and questions are presented in the next section. Next, the scope of the study is presented, followed by a description of the contributions and signification of this thesis. An outline of the research structure is presented in the final section.

1.2 RESEARCH PROBLEM AND MOTIVATIONS

Over the last decades, public services were criticized for being ineffective and inefficient (Van Helden et al., 2010). Although the outsourcing of public services is a useful technique for improving value for money and reforming governmental services (UK National Audit Office, 2014), critical concerns have been raised with the implementation stage of this approach. Amongst these concerns is the mismanagement of contracted-out public services. In this context, improper control systems in the public sector put the intended goals of high-quality externalized public services at risk. In addition, inadequate control by government might lead to wasting public funds and increasing the likelihood of corruption. Not only have developing countries struggled with monitoring public service providers, but some developed nations have faced similar issues. For instance, the central government of the UK awarded G4S a £284-million contract to provide official security services for the 2012 London Olympics. However, before the Olympics commenced, the provider was unable to comply with the terms of the contract and failed to deliver the required number of guards. Alternatively, the UK government was forced to deploy the military to assist in securing the event (UK House of Commons, 2012).

Furthermore, poor contract management was discovered with the electronic monitoring contracts signed between the UK Ministry of Justice (MoJ) and two providers, G4S and Serco, in 2005. The MoJ was aware of potential over-billing by the providers, leading to the UK National Audit Office investigating these contracts in 2013. According to the report, G4S admitted that the billing practices were inappropriate and overcharged the MoJ with £24 million of bills (UK National Audit Office, 2013). This can be attributed to fragile control systems set by the UK government to control

contracted-out public service providers which failed in managing contracts and eventually resulted in the UK government wasting public funds.

Another example linked to a failure in properly monitoring public service providers is the case of Carillion's collapse. Carillion was an important public sector supplier to the UK with approximately 450 contracts that represented about £2 billion of its revenue (UK House of Commons, 2018). The public sector was criticized for failing to effectively monitor the company and was apparently unable to evaluate the risk posed by Carillion (Demirag, 2018), which has been reported to have around 30,000 suppliers and subcontracts (UK House of Commons, 2018). This proves that having effective control systems is essential for identifying potential risks during contracts to avoid any unintended economic damages to both the public and private sector.

In the United States of America, an issue reported by the SC & H Group in 2012 indicated that the North County Transit District, responsible for public transportation in California, was guilty of poor monitoring and control systems. The auditors' report investigated compliance with policies and procedures of contracted-out public services by privately owned companies. It was revealed that the evaluation of the performance of public service providers was incomplete and monitoring systems set by the district were inadequate, resulting in undeserved payments to the providers. The auditors concluded that there were no clear established rules on how contracts were managed, communicated, or reported (SC & H Group, 2012).

The examples above reveal an increased reliance on the contracting-out of services to the public sector; however, governments sometimes fail to actively manage contracted-out public services, and it is critical for governments to ensure they get what they pay for. According to Eggers and O'Leary (1995), monitoring and controlling the contract inaccurately is the major cause of contract failure. Consequently, this deficiency could lead to payments for undelivered services, poor quality of service, weak performance, and wasting public funds. With this in mind, one of the motivations

of this dissertation is to identify aspects that cause such mismanaging of contracted-out public services.

The case study in this thesis is the Kingdom of Saudi Arabia. Like many countries, it has been experiencing considerable difficulties regarding the control of contracted-out public services. Although there has been a noticeable change in the public sector, it still suffers from ineffective management and much needs to be done to improve this vital sector. Against this backdrop, this study sheds light on these major difficulties and how control systems influence the actions of both the government and the service provider. Saudi Arabia is considered an example of a less-developed country, a subject that has often been neglected in previous research pertaining to services being contracted-out. Therefore, another motivation for this study is to examine a less-developed country which needs to deploy efficient control over their public services when they are contracted-out to public service providers.

The rationale for the choice of Saudi Arabia is because this country is based on a centralized governmental system (Assad, 2002) in which the central government in Riyadh makes the majority of political, administrative, and economic decisions for the whole country (Alkadry, 2015). In contrast to developed countries, Saudi Arabia lacks a tradition of autonomous local government (Mubarak, 2004). Also, the public sector in Saudi Arabia is predominantly characterized as a bureaucratic culture (Mansour, 2018) as well as men-dominated. Therefore, an additional motivation for this research is to explore whether these unique characteristics (including power, and political/cultural features) could be associated with control systems and relational aspects between government levels and public-service providers in the context of Saudi Arabia. Additionally, this study will look at how the said characteristics connect with the perceptions of individuals involved in the control process toward contracting-out. Previous literature overlooked examining these aspects in the context of developing countries. Therefore, this study aims to fill existing gaps in accounting studies.

1.3 RESEARCH AIMS AND QUESTIONS

The main purpose of this study is twofold. First, it adopts ST to explore the use of the control systems (financial and non-financial control tools) set by the government to monitor public service providers. Second, unlike previous studies, this study explores how relationships between the government and public service providers may play a role during the implementation stage of the contracted-out public services. The research focuses on both perspectives (government and public service providers) to better understand how monitoring and control systems might influence these relationships. This study also concerns itself with key areas that need to be identified and adjusted to rectify loopholes and problems that may lead to ineffective monitoring of contracted-out public services. This thesis seeks to determine the main challenges and limitations that the government confronts during the oversight process of controlling public service providers. By addressing these issues, the findings from this study will lead to recommendations that can help decision makers improve the monitoring and control systems for better service outcomes.

To achieve the aims of this thesis, the following three research questions were framed through the lens of (ST). They are designed to cover the central themes of this research: the control systems used by government during the implementation stage of contracted-out public services and the relationships between the two parties.

- 1) How are control systems associated with the behavior of government and public-service providers during the implementation stage of contracting-out?
- 2) To what extent do the control systems enable or constrain the ability of public-service providers?
- 3) How are characteristics of the relationship between government and public-service providers associated with the way in which the service is monitored and controlled?

All three research questions are equally important to this study and no question has superiority over another; each question covers an important aspect of this research, and they are all related to

each other. These questions will help identify potential factors that could affect the control systems and how actors within organizations interact with such influences. Additionally, the research questions will explore how relationships during contracting out play a major role in how the services are controlled and monitored. By addressing these three questions, this research will present a clear picture about the control systems and relationships between the two actors during the implementation stage of contracted-out services.

1.4 RESEARCH SCOPE

This research focuses on the monitoring and control of contracted-out public services by selecting two main public services, public transportation and elderly care, in Saudi Arabia. These two public services are controlled by the central government of Saudi Arabia; the elderly care service is under the direct supervision of the Ministry of Human Resources and Social Development (MHRSD) and public transportation is regulated and monitored by the Transport General Authority (TGA). This study focuses on two main Saudi cities (Riyadh, the capital, and Dammam) to investigate the two public services (i.e., four case studies in total). This research aims to broaden the understanding of the control systems during the implementation stage of contracted-out public services. For this purpose, it concentrates on the key actors who directly involved in the monitoring and control process of the two public services, for example, NPM and contracting-out champions, managers in central and local offices, finance/control department managers, and accountants. Furthermore, this research focuses on decision makers from the central government of Saudi Arabia who push for related-NPM and contracting-out ideas. To further understand the control systems and relationship between government and public service providers, the scope of this thesis intends to look at how this relationship is associated with controls during the implementation of the contracting-out services.

1.5 CONTRIBUTIONS AND SIGNIFICANCE OF THE RESEARCH

The contribution of this thesis can be divided into two parts: academic and practice/policy-based. The academic contribution is threefold. First, different from previous management accounting studies, this research looks at the relationships between the government and public service providers during the implementation stage of contracted-out public services. It seeks to respond to less focused aspects of this relationship and how it might positively or negatively affect the way in which public services are controlled and monitored. This study focuses on both the government and the service provider, rather than taking one side into account and ignoring the other. Previous accounting studies overlooked the importance of reviewing both perspectives. Second, this thesis is based on ST which is employed as a theoretical framework to understand control systems and relationships between the main actors in the context of the contracting-out of services. To date, prior management accounting studies have not used this theory to investigate control over the contracting-out of services in the public sector. As such, using this theory, which is novel in this context, in this thesis is a theoretical contribution to better understand relationships and controls during contracting-out. Third, monitoring and control systems during contracting-out have never been examined in the context of the public sector of Saudi Arabia. Thus, exploring control systems within less-developed countries (with a unique features and culture) will bridge the gap in the literature given that previous studies have neglected this context. This will allow to carry out comparative studies between countries with less advanced control systems and others with advanced practices of controlling contracted-out public services. By making such comparisons across countries, this will help identifying cultural/political characteristics that influence control systems.

Regarding contribution to practice and policy making, the findings of the empirical data analyses will also be significant to individuals working in the public sector. This study will allow them to take into consideration not only the financial and non-financial control systems and tools put in place, but also the relationships between the government and public service providers which might

come into play. These aspects are essential as governments emphasize more governance and accountability in the public sector. This research will contribute to addressing this worldwide problem and advise governments and policy makers on how to avoid potential risks associated with monitoring the compliance of public service providers. To achieve fruitful outcomes of contracted-out public services, governments should implement control systems that ensure services are provided appropriately to the citizens. When the direct role of government in service delivery is downsized by privatization, there is a need for sophisticated monitoring and control to safeguard the government's interests (U.S. General Accounting Office, 1997).

The case study of the Kingdom of Saudi Arabia has relied on a long-term approach of development planning represented in the Five-Year Development Plan³ (1970–2019). More recently, the Saudi government carried out a thorough review of government performance in general, resulting in a set of key facts and indicators that reflect the reality of the government administration system in which comprehensive reform and developments are needed (Alhajj, 2020). Based on this holistic review process, an ambitious future national vision, called Saudi Arabia Vision 2030, was developed (Alhajj, 2020). This vision implicitly adopts some NPM-like reform tools, such as privatization and contracting-out. Moreover, it is hoped that the findings, based on the interviews and documents, will improve the control and monitoring practices of public services. The findings will also be practically beneficial for helping decision makers identify any potential weaknesses during the implementation stage of outsourcing and avoid or correct them. Finally, this research could add more value to the context of current Saudi economic and managerial reforms within the public sector as it has identified the key functioning issues for improving control systems.

³ A series of strategic plans that are set by government every five years to provide national security, maintain economic and social stability, and review the public administration policies (MEP, 2019).

1.6 STRUCTURE OF THE THESIS

This thesis is split into seven chapters. Chapter two provides a general background about the country under analysis and explains the governmental structure of Saudi Arabia, including the administrative structure of central and local government and the functioning of the public sector. This chapter then goes on to highlight the major public sector and contracting-out reforms in Saudi Arabia since the establishment of the country in 1932. This period witnessed the beginning of economic development and formation of the public sector. This chapter also highlights changes under the banner of the Saudi Five-Year Development Plan in 1970, and more recently, Saudi Vision 2030 initiated in 2016. This chapter highlights public sector and contracting-out reforms, including reorganizing and establishing government administrations, enhancement of the productivity of public managers, control and accounting, and privatization and contracting out. This chapter shows that some changes, built on the ideas from the NPM model, have occurred in the accounting and control systems of the public sector of Saudi Arabia.

Chapter three provides a literature review by presenting the main previous studies on contracting-out as a means of public sector reform, and control and monitoring of contracted-out public services. It discusses the current status of the literature, identifying some significant research gaps. This chapter distinguishes between privatization and contracting-out. It highlights some of the control difficulties during the contracting-out provision of the public service. It provides an overview of public sector reforms and, specifically, the NPM model, in which contracting-out is an example from its reform components. It also briefly discusses some of the public-sector reforms in Saudi Arabia. Also, this chapter describes the characteristics of control systems, factors affecting control decisions and systems, and control patterns and characteristics in the private sector. Although not the main focus of the study, this chapter highlights the determinants of contracting-out decisions, such as economic factors and characteristic patterns of the contracted-out public services. This chapter details the main issues potentially encountered during the contracting-out process, including asset specification, goal incongruence, uncompetitive markets, political and

ideology implications, contract management capacity, loss of control, output measurability, and trust. This chapter also discusses the managing of relationships and behaviors during the monitoring of contracted-out services, including party characteristics (trust, organizational culture, and political visibility of the service). The literature review has identified existing gaps which the current study aims to fill.

Chapter four introduces the theoretical framework of this thesis and explains how ST is employed to examine how control systems are associated with the behaviors of government and public service providers and their relationship. This chapter then elaborates on the rationale for why this theory is useful in the research and describes the origins and principals of ST. The chapter also illustrates how relationships between the government and public service providers is explored through the lens of the theory. This chapter presents a review of the accounting literature which uses ST and also delves into some criticism that the theory has received from other researchers. Then, it shows the development of the theoretical model employed in this thesis.

Chapter five considers the methodology utilized in the study. It presents the objective of the research and provides an overview of the research philosophy, design, and methodology, including the researcher's stance. This chapter illustrates the fundamental types of research approaches and the thoughts of the researcher. This chapter discusses the rationale for deciding to conduct the study in the context of Saudi Arabia and explains the case study selection process. It presents the strategy for data collection and interviewee selection. Semi-structured interviews were carried out to obtain a better understanding of the relationships between government and public service providers involved in the contracting-out monitoring process. Additionally, relevant documents were collected to triangulate and corroborate the interviewees' answers. Two identified public services (public transportation and elderly care) were investigated in two Saudi Arabian cities (Riyadh and Dammam), hence, a total of four comparative case studies were explored in this

research. This chapter explains the management and analysis of data, as well as highlights some of the ethical considerations regarding data collection.

Chapter six provides analysis of the findings from the semi-structured narrative interviews and official documents from the selected services (public transportation and elderly care). It describes the structure and function of the selected public services in the Kingdom of Saudi Arabia to facilitate an understanding of the analysis process. It presents the currently adopted control tools used by the government to monitor providers engaged in both public transportation and elderly care services. This chapter presents quotations from interviewees to reveal first-hand perceptions and views regarding control systems, services, or relationships between the government and providers. Quotations from official documents are also included in this chapter. This chapter also highlights key themes with regard to control systems, processual/relational dimensions, and patterns between control types and processual/relational dimensions.

Chapter seven provides an overall discussion of the research findings in light of ST and derives a conclusion to the study. It discusses expected and unexpected findings with regards to both control systems and processual/relational dimensions. It also discusses and interprets the results in the two selected public services (public transportation and elderly care). This chapter discusses some co-occurrence patterns between the control types and the most frequently recurring dimensions of the processual/relational variables. It then summarizes the main results. Also, this chapter includes the limitations that the researcher encountered during this PhD journey. This chapter provides an assessment of the study's contributions to ST, the accounting discipline, public sector practices, and managerial policies. It also suggests some potential avenues for further research.

Finally, the academic and related literature references used in the research are included at the end of this thesis. The appendices also include research questions and documents used in the case study and fieldwork.

CHAPTER TWO

AN OVERVIEW OF PUBLIC-SECTOR AND CONTRACTING-OUT REFORMS IN SAUDI ARABIA

2.1 INTRODUCTION

This chapter presents an overview of public-sector and contracting-out reforms in Saudi Arabia. Events both political and economic have shaped this country's current situation and have led to several different public sector changes and reforms. Only a few studies have looked at the public management reforms in Saudi Arabia and Arab regions in general (Al Otaibi, 2015). This chapter outlines the major reforms and changes in the public sector that have occurred since Saudi Arabia was established in 1932; from this year, the Kingdom began a new stage of monarchy, which is reflected in the clarity of reform plans and programs. This chapter also highlights the expected future reforms in the public sector.

It should be noted that the government of Saudi Arabia has made considerable changes over the past few decades. To enhance the level of development, the government has invested in its people and invited more investors to the country. This is intended to allow the country's economy to grow; it is expected that this will lead to improvements in the public and other sectors (Husain et al., 2016; Albassam, 2015; Mazaheri, 2013).

This chapter is structured as follows. The first section provides a description of the general background of the Kingdom of Saudi Arabia. The structure of the government and public sector are explained in the second section and in the third section, an overview of public-sector and contracting-out reforms is provided. The final section presents a summary of the chapter.

2.2 BACKGROUND

This section provides a description of the general background of the Kingdom of Saudi Arabia, including the history of its establishment and the formation of the country, the managerial contours of the Kingdom, and the main resources that it relies on for economic, industrial, and managerial growth.

According to Al Farsy (1990), the history of Saudi Arabia is closely connected to the history of the House of Saud, which goes back more than two centuries. At that time, the Arabian Peninsula was full of tribal and regional disputes and faced considerable struggles. Since the eighteenth century, the Saudi royal dynasty has intermittently ruled the country. Between 1902 and 1926, King Abdulaziz successfully dominated the majority of the Arabian Peninsula. Later, on September 23, 1932, King Abdulaziz bin Abdurahman Alsaud issued a royal decree and announced the formation of the Kingdom of Saudi Arabia. Ever since that day, consecutive kings from the same royal family have reigned over the country, which signifies a consistent approach to convergent managerial changes. The existence of a dynastic monarchy can positively facilitate the adoption of economic reforms (Mazaheri, 2013).

Saudi Arabia is located in the Middle East and occupies 2.24 million km² of the Arabian Peninsula (Al-Harthi, 2001). This vast land has resulted in less progress throughout the country compared to smaller countries. An expansive country requires tremendous resources, and to expand these resources substantial funds are needed. The current population of Saudi Arabia is estimated to be 34,218,169 (General Authority for Statistics, 2019). Population growth has allowed the country to increase its manpower, which has accelerated the steps in its managerial reform plans.

Saudi Arabia is a member of the Group of Twenty (G20), which comprises the world's leading countries in terms of industry and economy. It is also a member of the Organization of Petroleum Exporting Countries (OPEC), which consists of countries that have oil reserves. Indeed, Saudi Arabia is considered one of the largest producers of oil, and 90% of its total revenue comes from

oil (Nurunnabi, 2017). In this context, Albassam (2015) stated that the Saudi economy is a hostage to fluctuations in oil prices because oil is the main source of their national income.

Although it is viewed as the largest economy in the Middle East and North Africa (MENA) region, it has the lowest GDP among the G20 countries (Albassam, 2019). The need for the Saudi Arabian economy to diversify away from its excessive reliance on volatile oil revenues has become increasingly important and is consistently emphasized in all official policy statements (Ramady, 2005).

Saudi Arabia is perceived by many expatriates from Asia, Europe, and the United States as a land of opportunity. Although the rest of the world only associates Saudi Arabia with oil, this commodity is crucial for current and future economy expansion (Al-Otaibi, 2010). Saudi Arabia's importance on the global stage stems from three main factors: it is strategically located, it has the largest oil reserves in the world, and it plays a significant role in the Islamic world (Rice, 2004). The following section discusses the structure of the Saudi Arabian government and its public sector.

2.3 THE STRUCTURE OF GOVERNMENT AND THE PUBLIC SECTOR

Before discussing the reforms and changes that have occurred in the public sector in Saudi Arabia, it is important to explain how the government itself works. This section explains how the government operates and the structure of the public sector. It discusses the following points: the administrative structures of central and local governments, the mechanisms of action in the public sector, and how the government controls public bodies.

2.3.1 The administrative structure of central government

The Basic Law of Governance of Saudi Arabia specifies that Saudi Arabia is an Islamic country; Arabic is the official language, and the constitution of the country is derived from Islamic law (Bureau of experts at the council of ministers, 2022). The government of Saudi Arabia is based on a monarchical regime, where the king, who is also the prime minister, rules the country (Al Otaibi,

2010). There are no political parties in the country (Al-Mizjaji, 2001). The king has supreme executive and legislative power and is supported by an assigned Council of Ministers. All central organizations' head offices are located in the capital city, Riyadh. The Council of Ministers was first formed in 1953 (Al-Harthi, 2001) and the Law of the Council of Ministers stated that the Council is responsible for overseeing internal, foreign, financial, economic, education, and defense policies, as well as all policies related to general affairs of state (Bureau of experts at the council of ministers, 2022). The Council is considered to be the most potent of all government bodies in Saudi Arabia (Harrington, 1958). Although the establishment of the Council of Ministers is perceived as a milestone in public administration in the Kingdom of Saudi Arabia, as a sign of institutional development, it has taken away authority and roles from local administrations (Alshiha, 2015).

In 2015, two councils linked to the Council of Ministers were created. The Council of Political and Security Affairs (CPSA) is responsible for security strategies and plans and follows up on their implementation and coordination. The Council of Economic and Development Affairs (CEDA) is responsible for economic strategies and plans and follows up on their implementation and coordination (Saudi Press Agency, 2015). It should be mentioned that both councils are currently headed by the Crown Prince.

The central government of Saudi Arabia includes the Royal Court, all ministries, and certain independent public bodies (e.g., universities and specialized training and research centers) (Joharji and Willoughby, 2014). A key aspect of these public bodies is that they have financial and administrative independence and directly report to their respective ministry, which directly reports to the prime minister.

Another council that plays an essential role in the central government of Saudi Arabia is the Consultative Council (or Shura Council). It is the third-highest political institution after the royal court and the Council of Ministers (Dekmejian, 1998). The Law of the Consultative Council was issued in 1992 and outlines the main roles and obligations of the Council's members. The Council

comprises 150 members, who are appointed by the king (Bureau of experts at the council of ministers, 2022), and it expresses its opinion on general policies that are referred by the prime minister, including the general plan for economic and social development, laws and regulations, treaties, international agreements, and concessions. It also provides suggestions and interpretations of laws and discusses reports forwarded by the prime minister and other governmental bodies. The Council is reappointed every four years by royal decree (Bureau of experts at the council of ministers, 2022).

2.3.2 The administrative structure of local governments

The Kingdom of Saudi Arabia is divided into 13 provinces for administrative purposes: Riyadh, Mecca, Medina, Eastern, Asir, Baha, Northern Border, Al Jouf, Qassim, Hail, Jazan, Najran, and Tabuk (Gazzeh and Abubakar, 2018). In 1992, a royal decree was issued that shaped the Law of the Provinces. Each province is ruled by an emir, who reports to the Minister of the Interior (MoI) and who is appointed by the king based on a recommendation from the MoI. Emirs are also accountable to the MoI (Bureau of experts at the council of ministers, 2022).

The law also states that the role of the emir of each province includes maintaining security, ensuring the implementation of court decisions, improving the province, and submitting a yearly report on the efficiency of public services and other affairs to the MoI (Bureau of experts at the council of ministers, 2022). In other words, the governor of the province has an auxiliary role in monitoring the efficiency of public service providers to meet the needs of the local people.

Mubarak (2004) clarified that there is no tradition of autonomous local government in Saudi Arabia. Local city services are provided by decentralized government bodies with very restricted financial resources; for example, municipalities are funded and guided by the Ministry of Municipal and Rural Affairs (MOMRA).

The current structure of local government in Saudi Arabia is criticized by Alshiha and Aldeeb (2019) for the unnecessary multiplicity of laws and regulations. They pointed out that there is an

overabundance of central public offices overseeing and monitoring local offices in cities. Provinces are linked to the MoI, municipalities are linked to the MOMRA, and branches or offices of ministries are linked to their relevant central ministries. According to Alshiha and Aldeeb (2019), this has increased the number of interventions in decision-making processes at a local level, which inevitably leads to conflict when making decisions and discrepancies when interpreting and applying policies. As such, the authors called for granting local governments in the Kingdom of Saudi Arabia more independence in terms of financial and administrative affairs. In addition, a new law should be enacted to unify the relevant local offices under the same umbrella and to grant local governments more authority so that they are able to boost development in the country, as the current structure of local government is incompatible with the aspirant Saudi Vision 2030.

2.3.3 Functioning of the public sector

As aforementioned, all central public bodies are located in Riyadh. Moreover, they are permitted to establish branches and offices in local provinces if needed. Initially, every minister or head is responsible for their own ministry or authority and is meant to work on the main objectives for which the administration was established. However, there is no single reference that contains the duties and responsibilities of the Saudi administrations; instead, every administration has set up its own website, where it states its vision, objectives, and roles.

Annually, the central government allocates the budget for each central body (e.g., ministries), which allows them to implement their activities. The MoF in Saudi Arabia is responsible for preparing the annual general budget for the Kingdom and organizes regular meetings with representatives from public bodies to discuss the budget proposal. The MoF officials suppose that all requests from central public bodies for additional allocated budget are motivated partially or entirely by the bureaucratic desire to establish empires, and, therefore, the MoF scrutinizes them thoroughly before approving them (Atiyyah, 1999). After the King approves the annual general budget, each central body starts implementing its activities. The MoF is also accountable for monitoring and

controlling the implementation of the budget (Albassam, 2011). The overseeing of disbursement procedures is carried out through the financial controllers of the MoF, who work in a decentralized manner in government offices (MoF, 2019). They are considered to be the most powerful monitoring tool at the disposal of the MoF to verify that public bodies follow laws and regulations before authorizing disbursement from financial controllers. Each public body has different activities depending on its governmental category, such as military, civil, or health. Albassam (2011) pointed out that some government office activities are performed by their own staff, while other offices contract-out with privately-owned companies to provide the services on their behalf.

The monitoring and control of public body contracts and any other agreements that result in a financial commitment on the part of a public body is important to ensure compliance with financial and non-financial regulations. Although every public body has a control department that manages the implementation and the progress of contracted-out services and products, there is also an independent regulatory body that monitors and controls the compliance with laws and regulations in public body, namely the General Court of Audit (GCA).

The GCA was established in 1971 and is an independent public body that reports to the king. The establishment of this public body is considered to be a managerial change to enhance the governance in public bodies. The main role of the GCA is to implement financial post-auditing for both the revenues and expenditures of the government, audit all the state's fixed and current assets, and audit public bodies' performance. It also monitors the suitable use of public resources and exploits and maintains such resources (GCA, 2020).

All public bodies and institutions that are allocated an independent budget by the government and every private company in which the government has shares are subject to being audited by the GCA (GCA, 2020). Additionally, these administrations are required to send the original copies of any signed contract or agreement, along with all related documents, to the GCA within two weeks of its signing (GCA, 2020). It monitors the contracts to verify the contractual commitments and

their accordance with the public procurement law, the relevant executive regulations, circulars, and the directives (GCA, 2020). For instance, the GCA is responsible for examining contracted-out public services to ensure adherence to laws and relevant regulations.

Having explained the general structure of the government and the public sector, the following section discusses the reforms and changes that have occurred in the public sector and contracting out in Saudi Arabia since the formation of the country in 1932.

2.4 AN OVERVIEW OF PUBLIC SECTOR AND CONTRACTING-OUT REFORMS

In the 1950s and 1960s, the country's first economic and managerial planning exercises relied heavily on external bodies and experts, such as the Ford Foundation, the United Nations Social and Economic Planning Team, and the World Bank. A planning board was established in Saudi Arabia in 1961 and integrated with the Central Planning Organization (CPO) in 1965, which drafted the first Five-Year Development Plan of the Kingdom in 1969 (Ramady, 2005). It can be inferred that relying on external experts enabled managerial and economic reforms in the absence of sufficient local expertise. Since 1970, the government of Saudi Arabia has been committed to developing the country in terms of economics, commerce, industries, and society (Al-Harthi, 2001). To achieve this, the Saudi Five-Year Development Plan was introduced in 1970, and more recently, Saudi Vision 2030 was launched in 2016. Some plans for changes and reforms are directly related to developing employees' skills in the public sector. Developing their abilities and skills improves their performance in providing or managing the services for which they are responsible. The other types of changes are more closely linked to how the services and products are delivered by the government through its administrations to its people.

The following subsections cover the most prominent changes and reforms that are closely related to the public sector in Saudi Arabia, including the reorganization and establishment of public

bodies, enhancement of public managers' productivity, control and accounting, and privatization and contracting out.

2.4.1 Reorganizing and establishing public bodies

Government bodies in Saudi Arabia are viewed as overcentralized and bureaucratic authorities (Assad, 2002; Atiyyah, 1999). As a highly centralized country, Saudi Arabia has suffered from delayed decision-making, the wastefulness of time, and narrowing the communication between the decision-maker and the citizen (Reshoud, 2000). Accordingly, the government has moved to establish more independent and decentralized public administrations. It has devolved some responsibilities from central bodies (e.g., ministries) to independent specialized public bodies and centers. This approach of reorganizing public bodies is similar to what suggested by NPM, as one of its components encourages the creation of more decentralized units (Hood, 1991) because they are more efficient and improves and expedites procedures of decision-making. Establishing more independent public bodies has been a decisive step toward revamping the public sector and reducing the burden on the centralized public bodies in Saudi Arabia.

Furthermore, between August 1999 and April 2000, new government bodies have been established, including the Saudi Arabia General Investment Authority (SAGIA) (Mazaheri, 2013). In 2020, this has been transformed to the Ministry of Investment and it is responsible for monitoring and evaluating investment performance in Saudi Arabia and for alleviating the challenges faced by foreign investors (Ministry of Investment, 2020). Previously, foreign investors were reluctant to invest in Saudi Arabia due to either the lack of available information or the inattention given to foreign investment by the Saudi government. Hence, establishing the Ministry of Investment has helped the government to remove any barriers for foreign investors, which will in turn enhance the country's market. In addition to these efforts by the government to attract foreign investors, Saudi Arabia became a member of the World Trade Organization (WTO) in 2005, which has created opportunities for foreign companies to invest in the Kingdom. Accession to the WTO has

also led to economic stability and a more open and transparent economy (Ramady and Mansour, 2006).

The expansion in the number of public bodies has led to an increase in expenditure. As such, to enhance efficiency and effectiveness in public sector expenditure, a royal decree was issued to establish CSE in 2017. This center is financially and administratively independent and is headed by the Minister of Finance. It can be deduced that the reason for establishing this independent center was because of the misuse of public funds, particularly in government contracts, as most public bodies purchase more goods or services than required. The CSE aims to improve the efficiency of the expenditure management system in public bodies in alignment with relevant plans and programs. It also monitors and revises the execution of initiatives related to Vision 2030 (The National Center for Archives and Records, 2019). Additionally, the CSE is required to prepare tender documents, contract forms for public services, procurement tenders, and contractors performance evaluation forms (Public Competitions and Procurement Act, 2019). This has reframed the contracts of outsourced public services to align with what public bodies need and to clarify the terms and conditions in relationships between the government and public service providers.

Among governmental reforms was the establishment of NCP in 2017, which has enabled the privatization programs that are part of the national transformational program. It can be inferred that the Saudi government has been influenced by NPM ideas; establishing this center is evidence of such influence. The role of the NCP is to assist in formulating legislation, developing mechanisms for privatization, and planning government assets and selected services for privatization to ensure quality output (NCP, 2020). However, the effectiveness and success of such initiatives rely on factors outside of the government's control, such as how investors respond to Saudi Arabia's attempts to raise investment funds from global capital markets to build up its economy (Moshashai, Leber, and Savage, 2018).

At the time of writing, one of the prospective reform plans is the establishment of a strategic management office (SMO), which will be set up under the CEDA, to manage all government projects and to ensure that they are consistent with the national vision. The SMO would also avoid any discrepancies, overlap, or contradictions between the policies and programs of public bodies and would ensure that all aspects of Saudi Vision 2030 are detailed in appropriate sectoral strategies (Saudi Vision 2030, 2020). The proposal to create this office was the result of interventions amongst public bodies' scopes of work. Consequently, this office will help in attaining a high level of harmonization between public bodies. Additionally, it will achieve fund-saving and greater efficiency in expenditure.

2.4.2 Enhancement of the productivity of public managers

With an increase in the number of government bodies and services and the expansion of the state's role, administrative and financial challenges have emerged that prompted the state to take the initiative in addressing deficiencies in the administrative system (Alshiha, 2015). It can be said that Saudi Arabia has realized that there are drawbacks in the public sector and that there should be a way to provide suitable solutions to enhance performance in the public sector. One of the most important steps that have been taken by the government is to develop the performance of public staff so that they are more qualified. Public managers should be empowered, trained, and provided with the modern management theories and practices that have been developed in the West. This could be done by modifying or revising them to suit local circumstances (Assad, 2002). The focus is on public managers because they are one of the key actors driving the public sector to attain the planned objectives.

Amidst the reforms in the public sector, the Institute of Public Administration (IPA) was established in 1961 by royal decree to develop the efficiency of workers in the public sector, elevate their administrative level, and underpin the foundations of national economic development (IPA, 2020). The establishment of the IPA was based on recommendations from the external experts

that the Saudi government hired in the late 1950s (Huyette, 1985). The push for its establishment was because the public sector had insufficient qualified staff, which has a negative effect on efficiency in the public sector.

Saudi Arabia was investigated by Jreisat (1988) for their administrative reforms and the administrative deficiencies that undermine development in the public sector were diagnosed. One of the identified drawbacks was a lack of administrative leaders. Saudi Arabia has undertaken important action (e.g., establishing the Committee for Administrative Reform in 1963 and the Central Office for Organization and Management in 1964) to cope with deficiencies at the administrative level. The objective of the establishment of these committees was to study the current situation (at that time) of public management in the country and to regulate the public plan for the public sector. These committees dealt with issues of organizing and simplifying procedures, proposing laws, regulations, and rules related to organizing civil service affairs, creating units for administrative development and follow-up in public bodies, and proposing regulatory rules for the names and levels of some administrative units (Altawil, 1995). This has boosted regulation in the public sector, which has enhanced the performance of public managers. For example, the roles and responsibilities of public managers were clearly defined, and there were given authorities to empower them to perform their duties (Jreisat, 1988).

To further support the improvement of performance levels, the government has also organized specific seminars and training courses for public managers to help them become more independent and responsible. It includes short programs (from two to five days), and targeted programs (from two to four weeks). These programs are held in the IPA, which provides them with intensive knowledge to equip them to be successful managers in public administration positions. The government has pushed for such changes as it recognizes the importance of granting managers more freedom to manage and be more productive (IPA, 2020). This type of change is likely derived

from an NPM concept, that is, moving toward hands-on management for managers to be more independent in order to enhance their productivity.

2.4.3 Control and accounting

According to NPM ideas, governments should set up more explicit and measurable standards of performance to which managers should be accountable (Hood, 1991). By the same token, the government of Saudi Arabia has moved to more performance-based assessments to control the performance of its administrations. It can be said that this orientation is consistent with the NPM model. In light of this, Saudi Arabia established the National Center for Performance Measurement in 2015, which is called Adaa. It would seem the rationale for creating such a public body was to enhance the criteria in evaluating and measuring public bodies through an external public body rather than relying on the measurement of services that are provided by public bodies themselves. This new body is an independent public body that aims to build and initialize performance assessment processes in public bodies by providing standardized methods and models to assist them in their ability to achieve better results. It also assesses the satisfaction of clients with public services (Adaa, 2020) so that the government can measure and monitor the performance of public services and identify any major weaknesses or shortcomings. Adaa conducts random visits to public bodies to check how they are performing. It also stresses on the outputs of a public body by assessing the performance of public bodies (Adaa, 2020). This is also similar to one of the components of NPM, as it focuses on results instead of procedures (Hood, 1991).

Although implementing values, such as accountability and transparency, is considered to be part of a global reform trend for better decision-making and to tackle corruption, Saudi public bodies are not performing as well as expected (Mandeli, 2016). According to Alshaqawi (2002), the level of administrative and financial control over most public-sector departments in Saudi Arabia is underperforming. Furthermore, the level of follow-up for accountability and transparency is still

below the standard to which the government aspires and the standard to which citizens who benefit from the services desire (Alshaqawi, 2002).

The government has somehow indirectly built on NPM ideas, focusing on accountability, transparency, accuracy, and efficiency, and has taken steps toward enhancing these ideas in the government system (Saudi Vision 2030, 2020). The Saudi government has attempted to move toward technological approaches to boost the transparency of governance and accountability in public bodies (Zerban, 2015). For example, the MoF has embarked on an online expenditure management system (Etimad platform)⁴ that facilitates and controls announcements and information for tendering and purchasing the tender documents (MoF, 2020). This has fostered greater transparency in tender applications and has enabled more businesses to compete for tenders, which aligns with the NPM idea that competition is the best way to reduce costs and raise performance levels. This platform has also improved fiscal analyses and made more details about the budget publicly accessible (Amr, 2016), thus enhancing the transparent approach that is desired by the government.

Considering that the NPM model stresses accrual accounting (Hyndman et al., 2014), it is evident that the Saudi central government has adopted a similar concept to reform the accounting system in the public sector as a means of providing efficient information for which the public managers in public bodies are accountable. In this context, a royal decree was issued approving the transition of all public entities from cash to accrual accounting in 2016. This project was assigned to the MoF and aimed to improve the government accounting system and accounting auditing standards. It provides information about the financial position of the government, strengthens controls over revenues, expenses, assets, and liabilities, and leads to better decisions (MoF, 2020). The MoF, in cooperation with the IPA, has held many workshops for the staff of public bodies who are working in financial departments to educate them on the concept of accrual accounting in the context of

⁴ An online expenditure management system launched by the Saudi MoF in 2018 to monitor public expenditures, government procurements, and public contracts.

the public sector, providing them with a roadmap to ensure a successful transformation. The responsibility for this transformation lies with public bodies, and the MoF is only accountable for supporting and overseeing certain administrations (MoF, 2020). This accrual-based system strengthens the control and accountability in the public sector in Saudi Arabia. According to Habibi (2019), the Kingdom of Saudi Arabia has accomplished tremendous progress in reforming governance, enhancing the performance of the public sector, and completing several social and cultural reform programs. However, some initiatives have not been implemented as planned, which has resulted in partial completions or delays.

Another government accounting reform that is somehow linked to NPM ideas is the adoption of International Public Sector Accounting Standards (IPSASs). Currently, the government of Saudi Arabia has formed an implementation committee, consisting of MoF, GCA, and Saudi Organization for Certified Public Accountants (SOCPA), all of which are responsible for strengthening public sector accounting and monitoring the implementation of standards. The committee plans to select public bodies that are eligible for the IPSASs implementation pilot program (International Federation of Accountants, 2019). SOCPA has been delivering seminars for public employees to disseminate the importance of the standards and it is expected that the implementation of these standards in the public sector will be finalized by 2021 (International Federation of Accountants, 2019).

2.4.4 Privatization and contracting out

There is a dearth of literature on how the reforms in the public sector in Saudi Arabia have influenced how public services are delivered (Alhaqbani, 2017). This subsection attempts to discuss general reforms that are related to privatization and contracting-out public services in Saudi Arabia and how they are operated today.

Contracting-out was first introduced in 1933 when the Saudi government contracted the operations of its oil out to the Standard Oil Company (Al-Sarhan, 2001). This was the first time that the

government had depended on another party to perform a service on its behalf. At that time, the reason for such a practice may have been due to the government having neither the experience nor a sufficient number of employees to perform the task. Since the fourth development plan initiated in 1985, privatization was introduced as an official strategic objective, and the government allocated a budget to support the engagement of the private sector in the development process (MEP, 2019). Since then, the Saudi government has continued to reaffirm the participation of the private sector in development plans. It has emphasized the importance of cooperation between the public and private sectors and has hoped that privatization will assist the government in improving the economy and creating a competitive market environment. Reliance on the private sector in Saudi Arabia could be influenced by the idea that the private sector is more efficient than the public sector and that doing so minimizes the cost of the provided service.

The government has adopted market-based reforms and recognized the necessity of engaging with the private sector as a fundamental instrument for these. Furthermore, Saudi Arabia has reemphasized the importance of the private sector in its ambitious Saudi Vision 2030 framework. The government is looking to shift its role from providing services to regulating and monitoring them (Saudi Vision 2030, 2020). Transforming from a government-led economy to one that is largely private-led is not easy to achieve (Moshashai, Leber, and Savage, 2018). Al-Yahya (2009) identified that public bodies in Saudi Arabia have been experimenting with different ideas and practices adopted from the NPM model, including contracting out and competition. Saudi Arabia and other Arab countries are under pressure from several international organizations, for example, the World Bank and the International Monetary Fund (IMF) to adopt ideas related to neoliberal models, such as PG and NPM models. These organizations are pushing for liberalizing market economies and boosting the role of the private sector, which is consistent with the concepts of these models (Mansour, 2018). It can be said that in response to these pressures from the World Bank and IMF, Saudi Arabia continues its market-based reforms.

The central government of Saudi Arabia delivers public services through public bodies, such as ministries, public authorities, and public institutions. For example, according to the Saudi Basic Law of Governance, government is responsible for public health and for providing healthcare to every citizen (Bureau of experts at the council of ministers, 2022). Part of caring services that the government of Saudi Arabia is responsible for is elderly care services. The Ministry of Human Resources and Social development contracts out with private companies to provide care services to the elderly. Additionally, local governments in Saudi Arabia also use contracting-out as an approach to providing other public services. For example, municipalities contract their public services out to the private sector to perform the service on their behalf in order to improve efficiency in providing services (Abdulaal, 2012). This includes, for example, refuse collection and street cleaning (Mandeli, 2010).

According to Biygautane et al. (2017), even though privatization is derived from Western reform prescriptions and has been applied for decades in Saudi Arabia, it has had little success. Their explanation for such a low level of achievement is that it has been accompanied by laws and regulations that have secured and held intact the employment of redundant people. The implementation of such administrative reforms has been futile because it was adjusted in a way that undermined the success of the reforms. Therefore, they suggest, administrative reform theorization should go beyond reform tools that are based on the assumptions of Western culture and governance and must account for communities with traditional heritage and politicized administrative structures. This would mark the beginning of a serious endeavor to come up with indigenous public sector reform paradigms, which would take the cultural and political realities of local administrative contexts into account (Biygautane et al., 2017).

To date, there are only a few studies on the contracting-out of public services in Saudi Arabia and how these services work (Assaf et al., 2011; Hassanain et al., 2015). Although contracting-out public services is preferable to practice in Saudi Arabia (Hassanain et al., 2015), contracting-out has faced

several challenges due to principal–agent complexities, that is, higher transaction costs related to the formulation, management, and monitoring of contracts with private sector organizations in Arab countries (Mansour, 2018). It should be clarified that no research has examined the control process of contracted-out public services in Saudi Arabia, such as public transportation, elderly care, or road maintenance. This makes it difficult to compare or evaluate contracting-out practices within the context of Saudi Arabia. Therefore, this study intends to explore the relationship between government and public service providers and how the said relationship is associated with the way in which the services are controlled. An increase in the number of studies on contracting-out in Saudi Arabia would contribute to better understanding this practice, which would help identify any major issues associated with the control of these services.

2.5 SUMMARY

Since the formation of the Kingdom of Saudi Arabia, there have been attempts to implement reforms and changes in the country. The public sector has been an indispensable instrument in enabling these changes and reforms. For this reason, the government has created several independent public bodies. The government has also assigned official bodies to monitor and control the performance of public bodies. More importantly, there has been some restructuring and reorganization of public bodies in line with the roles and objectives of specific plans. These measures aim to improve the public sector's practices, efficiency, and control.

Some changes have occurred in the accounting and control systems of the public sector, and the central government of Saudi Arabia has built on ideas from the NPM model, such as privatization, contracting out, and accrual accounting. Since 1985, the government has recognized the importance of the private sector and that the public sector should not crowd out the private sector. Saudi Arabia has adopted different managerial reform ideas to promote the flourishing of the public sector. Although the government has not explicitly stated that these reforms are under the banner of the NPM model, it can be interpreted that there has been a clear shift toward NPM concepts. It

is also evident that the contracting-out public services has not only been adopted in Saudi Arabia, but the practice is now widely used by public bodies. Despite this, however, little research has examined contracting-out and its associated positive and negative consequences. It is essential to explore how contracting-out of public services is controlled within Saudi Arabia as it has been neglected from accounting and management studies. This is the central theme of this research.

Having presented an overview of public sector and contracting-out reforms in Saudi Arabia, the following chapter will discuss the literature relating to contracting-out.

CHAPTER THREE

LITERATURE REVIEW

3.1 INTRODUCTION

Governments have different options pertaining to the provision of services to citizens. Governments can choose to either provide the service internally ‘in-house’ or to externalize the public service, using non-profit or private agencies to render the service, i.e., ‘contracting-out’ (Longo and Barbieri, 2013; Cristofoli, et al. 2010). Outsourcing/contracting-out for public services is considered to be one of the most used forms of privatization, and it has become a common market-like practice which is used in the public sector (Lee et al., 2019). It is an approach of transferring operational activities to the private realm whereby the government organization owns and controls the overall process (Johnston and Seidenstat, 2007). It does not involve the sale of public assets (Domberger and Jensen, 1997). Contracting-out is also defined as being “a business arrangement between a government agency and a private entity in which the private entity promises, in exchange for money, to deliver certain products or to others on the government’s behalf” (Kelman, 2002, p.282). Contracting-out has been defined by Espino-Rodríguez and Padrón-Robaina (2006) as being a strategic choice which involves the external contracting of certain non-strategic activities or business processes which are necessary to manufacture goods or to provide services through agreements or contracts with higher-capacity firms which undertake those activities or business processes in order to enhance competitive advantage.

In some countries, such as the United States, this type of technique has spread as a prevalent option in order for the government to provide public services (Brudney et al., 2005). Furthermore, in some countries, such as the United Kingdom, it is legislated (Farneti and Young, 2008). The widespread use of contracting-out requires proper monitoring and controlling. While controlling and monitoring of contracting-out during its implementation stage is a difficult process to undertake,

calls have been made to try to better understand the contractual relationship between government and the service provider (Van Slyke, 2007; Bertelli and Smith, 2009; Fernandez, 2009). As part of avoiding any potential for contract failure, this thesis will examine the process of controlling the contracting-out of public services during contract implementation. Specifically, it will look at how the relationship between the main actors in this process (government and the public service provider) determines the way in which the public service is managed, controlled and monitored (financially and non-financially).

In this chapter, an overview of contracting-out will firstly be presented, as well as a discussion of the current status of the literature, identifying some significant research gaps. Secondly, there will be an overview of public sector reforms and, specifically, the NPM model, as contracting-out is the result of some of the ideas and changes associated with it. The next section will explore in detail the determinants of the contracting-out decision, while the main possible issues with contracting-out will be presented in the following section. After that, the control and monitoring of public services will be discussed which are, ultimately, the main focus of this study. The penultimate section of the chapter focuses on managing relationships and behaviors during the stages of monitoring of contracting-out and, finally, in the last section, a conclusion of this chapter will be presented.

3.2 CONTRACTING-OUT OF PUBLIC SERVICES: AN OVERVIEW

Contracting-out has been viewed as an example of the NPM movement whereby the latter has gained momentum since the term NPM was firstly discussed by Hood (1991 and 1995). NPM is related to a set of liberal reforms aimed at enhancing public sector performance by establishing market-like practices (Hood, 1991). It has been adopted internationally, and comprises doctrinal components that recommend a variety of reforms in terms of public sector management such as performance management, decentralization, accountability, and contracting-out (López, Prior and Gómez, 2015). The main objective of NPM is to evolve the management functions of the public

sector. According to this model, the managers of public organizations are expected to deliver the public service efficiently and effectively. The NPM model has been influenced by the notion of trying 'to make the public sector more business-like' (Ferlie et al., 1996, pp.10-11). As a result, public sector organizations have practiced private strategies, and one of the key features that they have adopted is contracting-out (Pollitt and Bouckaert, 2011). It means that the public-sector contracts-out to the private sector in order to deliver services to citizens. (Section 2.3 provides more details about NPM).

Under NPM, the rationale for choosing to contract-out by governments is due to its significant success in reducing costs and improving service performance (Barthelemy, 2003; Dijkgraaf, Gradus and Melenber, 2003; Harland et al., 2005; Hefetz and Warner, 2012; Kakabadse and Kakabadse, 2015). The United States government spends almost \$500 billion yearly on such contracts (Brown, Potoski and Van Slyke, 2015) and the government of the United Kingdom outlays nearly more than £200 billion every year on purchasing goods and services from external providers (Davies et al., 2018). The public sector has been viewed as being less productive and less efficient than the private sector (Huque, 2005). This argument, that the output of the public sector is generally less productive than the private sector, is due to government organizations lacking the motivation of profit (Prager, 1994). Governments around the world have contracted-out different public services such as refuse collection (Dijkgraaf and Gradus, 2003), healthcare (Young and Macinati, 2012), elderly care, road maintenance and public transportation (Johansson and Siverbo, 2018). Previous studies have discussed certain types of contracted-out public services such as cleaning services (Elkomy, Cookson and Jones, 2019), security services (Johnston and Seidenstat, 2007), and technical and social services (Petersen, Houlberg and Christensen, 2015). Notably, Ilcan, O'Connor and Oliver (2003) claimed that the role of the official government has changed from setting regulations and services to controlling various contracts of different independent entities. Comparatively, Bel and Warner (2015) claimed that most European studies focus on the cost reduction of contracting-out whereas US scholars have paid more attention to the coordination

which emerges from the high level of delegation within US local government. Contracting-out is more than merely enhancing operational efficiency. In addition, it is not only limited to auxiliary functions, such as cleaning or planting, but includes an increasing number of the activities and functions of the organization, especially those that contribute substantially to its added value (Quélin and Duhamel, 2003). Significantly, Broadbent and Guthrie (2008) argued that altering the role of the public sector has changed its name to public services. For this purpose, the public sector relies largely on the private realm through different approaches such as Public-Private Partnerships (PPPs)⁵, Vouchers⁶ and Contracting-out. Even for the private sector, contracting-out is a favorable choice (Jiang and Qureshi, 2006). The next section will clarify the different nuances between the concepts of both privatization and contracting-out.

3.2.1 Privatization and contracting-out/outsourcing

Outsourcing or contracting-out is often not easy to determine, is complex to gauge, and can sometimes be combined with other privatization forms such as PPPs or with privatization per se (Eckersley and Ferry, 2020). Fundamentally, these two terms (outsourcing or contracting-out) are interchangeable and many studies have used either one of these terms (Kakabadse and Kakabadse, 2002; Goodsell, 2007; Harland et al., 2005; Vyas, 2016), but the term ‘contracting-out’ is more diffused in the public realm (Hall, 2000). Therefore, the current research will be using ‘contracting-out’ term. It is essential to clarify that privatization is not meant to be a contracting-out service provision only, and the latter is just a form of privatization. Governments privatize their productions or services through different forms and one of these forms is contracting-out, whereby the government has full control over the contracted service. As stated by Chandler and Feuille (1991), when a public service is contracted to a privately owned agency, the government still has the right to control the service which is provided by the private sector. However, when a

⁵ PPP ‘refers to the various forms of cooperation between public and private sectors, including design-build-finance-operate, build-own-operate-transfer, build-operate-transfer, as well as PFIs and other forms of public–private cooperation’ (Wang et al., 2018, p.301).

⁶ Payment for goods or services which are provided by the service provider to a consumer who is allowed to use them (Colin, 2005).

government fully privatizes its production or service, it is not involved any further in the controlling process (i.e. the government is displaced from overall responsibility) (Romzek and Johnston, 2002; Savas, 2000). It is important to bear in mind that involvement by government in the controlling process of contracted public services is challenging. With this in mind, in the following section the difficulties of contracting-out control will be highlighted in order to understand the various dimensions of these difficulties.

3.2.2 Control difficulties during contracting-out

Existing literature has discussed the advantages and disadvantages of externalizing public services. Contracting-out control is one of the various challenges encountered by public managers who are striving to undertake an effective contract (Malatesta and Smith, 2014). In this context, Entwistle (2005) stated that a government might be averse to externalizing a public service due to several reasons including the difficulty of controlling the public service provider, the weaknesses of suppliers, and saving the core efficiency. It means that governments are concerned about the quality of the service being provided, and this is why they consider all the factors associated with contracting-out. In a similar way, Levin and Tadelis (2010) concluded that one of the contracting-out dilemmas includes the difficulty of controlling the services provider's performance, which may ultimately lead to the government choosing not to privatize its services. Consequently, there should be a flexible strategy which makes monitoring the service easier or simpler. The risks and benefits of contracting-out have been examined by Harland et al. (2005). They revealed in their study that there is a deficiency of managerial skills and expertise for dealing with more pragmatic, cooperative relationship management, rather than adversarial contracting in the short term. In addition, there is a shortage of guidelines in terms of how organizations should determine how much they should contract-out. The authors concluded that in order to contract-out the services efficiently and effectively, managers should be provided with managerial and intellectual guidelines. Comparatively, Quélin and Duhamel (2003) discussed how the major key risks considered by management need to be correlated with contracting-out including, in particular, the risk of loss of

competencies by government, and how organizations need to learn to reduce by using adequate monitoring mechanisms. They denoted that contracting-out, therefore, is not isolated from knowledge management, particularly external knowledge. The opportunity to gain learning opportunities from contracting-out, and not just gain access to knowledge, requires the ability to train and maintain a relatively small number of highly skilled key staff.

An important study was carried out by Johansson and Siverbo (2018) in which they classified public services into two groups: hard services and soft services. Hard services are those in which performance is easily recognizable, such as cleaning and road maintenance, whereas soft services are more difficult to notice in terms of performance, such as elderly and health care. They found that when vendor competition is at a low level, the influence of bureaucratic control on vendor compliance is more robust for hard rather than for soft groups of services. From a similar perspective, Isaksson, Blomqvist and Winblad (2018) studied nursing home care in Sweden. They found that it is hard to develop a controlling requirement for services such as elderly care. It means that this kind of contracting is high risk, and the service provider might take advantage of this by providing shrinking quality.

Previous studies regarding contracting-out have agreed on the importance of managing the contracted public service (Johansson, Siverbo and Camén, 2016; Brown, Potoski and Van Slyke, 2006; Brown and Potoski, 2003b; Warner, Ballard, and Hefetz, 2003; Milward and Proven, 2000) in order to avoid any potential for contract failure. These studies implicitly considered contracting-out public service provision as being an effective way of providing a service; however, it was found that it is a risky approach to take if it is not managed or controlled properly. Specifically, the monitoring and control of contracted public services is a challenging process but, if it is coupled with an effective control system, it will enable citizens to gain benefits from these services easily and effectively.

Notably, there is still debate regarding the effectiveness of contracting-out between proponents and opponents of this approach. Some authors, such as López, Prior and Gómez (2015), concluded that contracting-out public services raises the cost inefficiency of public services and leads to an overall decrease in efficiency. In addition, there are a number of public sector contracting-out drawbacks, such as failure to enhance the performance and quality of public service delivery, a willingness to cut costs by accepting the lowest bids, insufficient project management, and poor staff resulted in serious problems (Huque, 2005). Another study carried out by Vyas (2016) analyzed the managing of contracts from the point-of-view of both sides involved (government and contractor). The author revealed that the major problems which are associated with managing the contract include circling around the quality of the service, compliance of contract, staff, transparency and communications. Nevertheless, Rho (2013) found that increased contracting-out is connected with the development of performance, and highlighted the significance of a contracting-out approach.

According to López-Hernández, Gómez, Díaz, and Molina (2018), the contracting-out process is affected by various elements such as political ideology, asymmetric information, and the availability of a public service provider. These elements should be taken into consideration when contracting-out for public services because they could affect the processes of controlling and managing the contract.

To be specific, the decisions or determinations for contracting-out (*ex ante*) will not be the focus of this thesis, as many studies have previously focused on this (Brown and Potoski, 2003b; Damancour, Magelssen and Walker, 2019; Petersen, Houlberg, and Christensen, 2015; De la Higuera-Molina et al. 2019). However, little attention has been paid to the process of control itself both from the government and public service provider's points of view and their interactions. Previous studies have not addressed the process of control as their main focus was on cost and core efficiency. Thus, they have overlooked the importance of the control process in contracting-

out public services during the implementation stage. Therefore, this research will focus on the importance of looking at and assessing the process of control after the public service has been contracted-out (ex post) (looking at both the government and public service provider's points of view and their interactions).

The fundamental objective of this study is to identify how the control systems set in place relate to the actions of both government and public service provider. Since contract management⁷ is a common process between the service provider and bureaucrats (government), it is important to analyze the viewpoints of both sides regarding the local contract management structure (Vyas, 2016). The following section will provide an overview regarding the NPM model as this model has highlighted contracting-out as part of reform in the public sector.

3.3 NEW PUBLIC MANAGEMENT REFORMS: AN OVERVIEW

As denoted by Pollitt and Bouckaert (2011, p.24), 'contracting out is a main dish on the NPM menu'. This means that contracting-out is part of the reform process which NPM has introduced. Consequently, shifting from providing the public service internally via government to an external provider is considered as being one of the ideas of NPM. However, this process of transforming has to be controlled and monitored in a way which ensures that the service is provided efficiently and effectively. NPM has contributed to prevalent contracting-out in the public sector and, as mentioned earlier in this study, it has led to a remarkable evolution in public sector reform. Hughes (1998, cited in Pillay, 2008, p.374) defined NPM as shifting the public sector from being a conventional bureaucratic system into a more enterprising, market-driven type of government that is more independent. Accordingly, Stark (2002) denoted that NPM is a parlance of strategic management whereby it merges both roles of government and public-service providers.

⁷ Ensuring that the service will be provided by the vendor in accordance with the contract and ensuring that the government exercises suitable action if the vendor is not committed to the contract (Vyas, 2016).

NPM emerged after traditional Public Administration (PA),⁸ and the former components were viewed as being a replacement of PA (Hyndman and Liguori, 2016). It has been argued that the NPM model still exists and its ideas are still established in public sector organizations (Lapsley, 2008; Hyndman and Lapsley, 2016). For example, Caffrey, Ferlie and McEvitt (2019) examined the National Institute for Health Research (NIHR) in the UK and have claimed that the NPM doctrines still occur in the way that this medical sector is operated. However, according to the main advocates of NPM (Hood and Peters, 2004), the NPM model has reached its “Middle Age,” and the discovery of paradoxes that are connected with recent and contemporary public management reforms is a difficult case. Therefore, identifying NPM-related paradoxes provides an opportunity to enhance administrative science and improve the comprehension of administrative reform as a system.

Historically, NPM has been connected with Margaret Thatcher, the Prime Minister of Great Britain from 1979 until 1990. She is considered as being one of the major supporters of the business-like approach. Since its emergence, the components of NPM have received much support both politically and academically, and it has thus become an internationally accepted methodology. The main features of NPM, as first presented by Hood (1991), can be explained as follows:

- 1) Moving towards “hands on management”: managers should be free and independent in order to be allowed to be more productive.
- 2) Moving towards more explicit and measurable standards of performance: there should be an evident objective which managers will be accountable for.
- 3) Great emphasis on output controls: it emphasizes results instead of procedures.
- 4) Disaggregation of public organizations into separately managed units: it involves creating more decentralized units.
- 5) Shift to greater competition within the public sector: using competition as a way of reducing costs and raising performance.

⁸ It is a reform model that contains governance solutions based on Weberian perceptions (Stoker, 2006).

- 6) Emphasizing management practices taken from the private corporate realm: the public sector has to acquire the private sector style.
- 7) Great focus on discipline and parsimony in resource use: to increase performance with fewer resources.

NPM is aimed at improving government performance by embracing the 'three Es' (economy, efficiency, and effectiveness) and incorporating management concepts that have often been transferred from a private realm (Fattore, Dubois and Lapenta, 2012). Public directors are encouraged to steer (policy managing) not row (operational managing) their agencies, and they are required to discover original methods to obtain outcomes or to privatize instruments formerly rendered by government (Denhardt and Denhardt, 2000). In some countries, the idea of NPM has not been easily implemented. Robbins (2007) identified the barriers which held back the ideas of NPM from being implemented successfully in an Irish hospital. The author found that there was no collaboration, and that the level of trust between clinicians and managers was low. In addition, it was found that the permanent control of bureaucratic practices was a major barrier to implementing NPM ideas in the hospital. The author finally commented that trying to embed the ideas of NPM will only be successful if a change in the organizational structure moves in a parallel direction with support mechanisms.

NPM reforms have been examined by different scholars including Pollitt (2000), who looked at it from an international context and concluded that there is clear and distinctive evidence of the raising of efficiency in some countries. Moreover, Alonso, Clifton and Fuentes (2015) assessed the impact of NPM on public sector magnitude by choosing two main approaches that are associated with the NPM model: contracting-out and decentralization. They found that contracting-out was not connected with a decrease in public sector capacity in terms of expenses and employment. In addition, Diefenbach (2009) argued that the negative effects of NPM have exceeded its positives. Also, Tambulasi (2007) found that the NPM model has expanded the controlling of management

and has reduced political intervention which has led to less efficiency, less effectiveness, and less transparency. By contrast, NPM will continue to be an effective approach for a public sector to use (Lapsley, 2008). The influence of NPM has also been studied by Hammerschmid et al. (2019) and they found that contracting-out and downsizing are positively associated with increasing efficiency; however, they also highlighted that downsizing is related to shrinking in terms of quality.

Lapsley (2009) discussed the NPM model from the perspective of four different factors: the role of management consultants, the development of e-government, the emergence of an 'audit society,' and the increasing importance of risk management. He concluded that consultants in public sectors have been used excessively and specifically, in such a way as to manipulate staff downsizing. It was also deemed that auditing technology puts pressure on public managers. Furthermore, it was found that risk management, which had been adopted from the private realm, might lead to unintended consequences in terms of entrepreneurial public service delivery. It can be noted that some of the NPM components have been misused by public sector managers which requires a regular assessment of adopted components.

Another study carried out by Verbeeten and Speklé (2015) examined three components of NPM. They looked at output control, performance management and decentralization and how they are linked to proper public management. They identified a positive impact of regulations and policies on the performance and results-oriented culture and a negative impact on the performance of organizational decentralization. In addition, there was no compelling evidence that the usage of performance data in order to achieve accountability and incentives developed performance.

Groot and Budding (2008) conducted a survey amongst managers, controllers, and consultants. The results showed that there is general satisfaction regarding the NPM model in the public sector. However, the authors added that there would be a challenge for researchers to provide more insightful analysis regarding reforms and a successful public sector as NPM progresses into new approaches. Some authors have examined the success of NPM at a country level to demonstrate

the adoption of this model. For instance, Arnaboldi, Lapsley, and Dal Molin (2016) discovered the importance of the traditional cultural and political factors of a state as a critical aspect of the capability of countries to acquire NPM reforms. In a similar vein, Lapsley and Miller (2019) studied the transformation of the public sector between 1998 and 2018 and found that the influence of NPM in this period of time is prevalent. Another study conducted by Pillay (2008) explored the cultural influence of the acquisition of NPM. He recommended that the successful enforcement of NPM entails interdependence between the reform approaches that are acquired and the specific cultural features of the country in which they are enforced. This point indicates that culture is an important characteristic which needs to be examined in-depth in order to determine which elements of NPM are adopted more than others.

Most of the studies focused on European countries and the United States whereas less-developed countries were neglected in both accounting and management literatures. There are three potential explanations as to why the NPM paradigm has been poorly rendered in less-developed countries in comparison to developed countries. Firstly, public anticipations of government in less developed countries differ substantially from those which exist in the Organization for Economic Co-operation and Development (OECD). Secondly, some vague ideas pertaining to the ‘public service ethos’ or the ‘civil service culture’ could dissolve over time, without the continual discipline of control management. This means that old public discipline is crucial for the NPM paradigm. The third reason is the marginal nature of the influence of NPM under any situation which causes the underperformance of NPM in less-developed countries (Manning, 2001).

NPM policies has not been effective to the degree which was planned and promoted, but there is ample evidence to prove that some of the key ideas in NPM have contributed to changes in the structure of public services or in the provision of services in different organizational settings. Assessing the impact of NPM reforms over the last 10 years in Central and Eastern Europe (CEE) has shown that NPM is working in these regions. In addition, NPM has progressed in developing

countries, and it is also necessary to take stock of the evidence in this part of the world which has been accrued so far (Dan and Pollitt, 2015).

3.3.1 Contracting-out as an example of new public management reform

As was mentioned earlier, NPM introduced contracting-out as a means of reform in the public sector. As part of the NPM objectives, which include reducing the costs of providing services and increasing levels of efficiency, contracting-out was introduced (Elkomy, Cookson and Jones, 2019). Furthermore, contracting-out as a means of reforming was a response to political pressure and is considered as being a creative method to support a government to do more with fewer resources (Kettl, 1997). Similarly, Price (2007) claimed that privatization and contracting-out were guided by two main leaders, Margaret Thatcher and Ronald Reagan, who supported privatizing the public sector. Privatization, which is the consequence of NPM, has been an essential tool in public sector reform since the late 1980s (Rho, 2013). Clearly, contracting-out is an efficient approach and it has been used widely in public service provision as a means of reform (Schoute, Budding and Gradus, 2018; Sundell and Lapuente, 2012; Domberger and Jensen, 1997) since it emerged as a type of reform in the NPM movement. The following section will briefly discuss different types of public sector reform.

3.3.2 Public administration, new public management and new public governance

Public sector around the world has undergone to different types of reforms and each reform has various elements. The concept of contracting-out was not introduced as part of reforms during the period of PA and governments were mainly providing the public services in-house. With NPM, contracting-out was proposed as an alternative way to the traditional way in providing the public service. Furthermore, NPG is building in NPM and creating more network approach. Hyndman et al. (2014) have compared the UK, Austria and Italy in terms of accounting reforms. They concluded that PA, NPM, and Public Governance (PG)⁹ have not superseded each other but in

⁹ This refers to Network Governance (NG) or New Public Governance (NPG).

fact have complemented each other. This means that not every reform is a separate incident, and that new reforms are actually driven from the previous one. PG or NPG emerged after NPM, and they ‘[emphasize] the importance of taking [a] [collaborative] approach to the provision of public services, working with partners within and across the public, non-profit, and private sectors’ (Morgan and Cook, 2015, p.3).

Recently, Quinn and Warren (2017) tried to explore whether the NPM model was derived from an existing method and they have found that many of the elements of what we today call NPM existed from the 1940s and 1950s. This assures us that the reforms are complementing each other and that there is no reform without previous roots. In a similar context, Stoker (2006) explained the management patterns which are PA, NPM, and Network Governance (NG). He discussed how the trade-off between democracy and management is considered as having a probability of going wrong and creating considerable problems in both traditional public administration and new public management. The problem is identified by a perceived danger to traditional public administration whereby politicians outside of the government cannot exert any real control. However, there is also a risk that too much political interference will weaken the bureaucracy's ability to deliver. The issue for traditional public administration is how to put management and democracy in the correct locations. The solution is to legislate constitutions that describe the roles of politicians and managers which can be requested by both parties in times of dispute (p.55). Denhardt and Denhardt (2015) conducted a study recently to examine how the New Public Service¹⁰ had been practiced over 15 years, from 2000 to 2015. They argued that there should be a continuing question regarding whether individuals who make their own judgments are the best or only arbitrators of public value. The authors concluded that neither the New Public Service nor NPM concepts have become a predominant model, but the New Public Service, and ideas and activities compatible with its values, have become increasingly obvious in the research and practice of public administration.

¹⁰ It is also referred to as Post-NPM (Guo and Tat-Kei Ho, 2019).

Gauging the utilizing of NPM and PG in Italian elections has been examined by Fattore, Dubois, and Lapenta (2012). They discovered that both NPM and PG were notable within political programs. Therefore, this shows that paying theoretical attention to such concepts is likely to be justified, not only in Anglo-American countries, but also in countries where the rhetoric of NPM and PG may be less evident. Significantly, it was found that PG themes were more favorable than NPM themes. Politicians selected words such as ‘network’ and ‘participation’ rather than words like ‘efficiency’ or ‘responsibility’. A number of academics have also written about the era named ‘Post-NPM’ (Steccolini, 2019). Similarly, Reiter and Klenk (2019) noted that the establishment of the Post-New Public Management model needs to be refined before it can be applied to the public sector. In like manner, some studies, such as that of Klenk and Reiter (2019), raised some questions regarding the witnessing of new public reform.

With reference to Saudi Arabia, the specific case under analysis in this study, Mandeli (2016) explored the effects of management reforms which have recently been applied by the Saudi government on local authorities following the 2005 municipal elections which tracked public affairs and service delivery and the current municipal council structure. The author claimed that the government system in Saudi Arabia does not generate great ‘state consolidators’ which can then improve effective state, political and economic steadiness. Therefore, for the country to pursue genuine good governance principles, it is necessary to enforce integrity and build capacity while bringing the government system closer to local communities.

Although there is a dearth of studies regarding NPM in Saudi Arabia, it is noticeable that the Saudi government was influenced by NPM ideas which contributed to the improvement of the public sector in that country. It has implemented different forms of privatization, such as contracting-out public provision, in order to attain the main objectives of such approaches (Alhaqbani, 2017). According to Asquer and Alzahrani (2020), since 2005, the Saudi government has heavily implemented different public management reforms. The government encourages the participation

of the private sector in the developing of the public sector. In addition, the Saudi government has sought to implement more privatization, accountability and transparency. As such, some of the NPM elements were adopted by the Saudi government in aiming to reform the public sector. Recently, as part of a means of increasing the competition among private sector organizations, a royal decree was issued regarding a new version of public procurement law (Public Competitions and Procurement Act, 2019). This new, revised law will enable transparency and accountability during the process of tendering. It will allow the Saudi government to select the most appropriate tendering organization who will provide the service efficiently at a reasonable cost. The issuing of this law was a consequence of poor public service provision, contract failures, and delays in construction projects.

3.4 THE DECISION TO CONTRACT-OUT

Contracting-out for public services has been the subject of many accounting and management studies. Commonly, these studies have focused specifically on the decision made to contract-out public services and have looked less at investigating monitoring and control. Although it is not the main focus of this thesis, it is important to illustrate how the decision to contract-out consists of multiple aspects which determine the shift to market delivery. There are many advantages to contracting-out such as saving on costs (Aamer, 2018), focusing on core competencies (Petersen, Hjelmar and Vrangbæk, 2018), more flexibility (Smith, Morris and Ezzamel, 2005), increased performance and quality (Kakabadse and Kakabadse, 2015) and increased competition (Mol and Kotabe, 2011). Despite some previous studies having claimed that contracting-out is associated with positive dimensions, others have indicated that it has also been connected to some drawbacks. In this context, Bel and Fageda (2017) examined recent studies regarding the determination of the decision to contract out public services. They found that monetary constraints, economic efficiency, and pressure from interest groups, affected the decision relating to contracting-out.

These latter factors might be caused by political decisions which ultimately result in these levels of circumstance.

Most previous studies have mainly analyzed contracting-out based on Transactional Cost Economics (TCE) (Máñez, López, Prior and Gómez, 2016; Bel, Fageda, and Warner, 2010; Brown and Potoski, 2003a; 2003b). TCE has also been the prevailing theory which has been used to clarify the Management Control System of organizations and inter-organizational relationships. The popularity of TCE is based on the notion that conventional management accounting systems are insufficient for measuring transaction costs and, therefore, they cannot fully identify the total costs of such inter-company relationships (Meira et al. 2010). Transactional costs can be defined as being 'comparative costs of planning, adapting, and monitoring task completion under alternative governing structures' (Williamson, 1981, p.552-553). This type of cost is not easy to gauge and monitor (Petersen et al. 2019). The main variables of TCE are asset specificity, uncertainty and frequency. Brown and Potoski (2003a) defined asset specificity in terms of whether the service requires advanced investments in order to be produced. Advanced investment is an investment that applies to the production of one service, but which is very difficult to acquire for the production of other services. Frequency refers to reoccur of transactions (Williamson, 1979) and uncertainty indicates inability to specify future events (Brown and Potoski, 2003b). It should be noted that Ouchi (1979) has been inspired by TCE to clarify the governance forms (market-hierarchy- trust) which will be explained later in the control section.

Prior studies that applied TCE have concentrated on making a comparison between the costs of providing the public service internally or externally through the contracting-out. Some of the studies, such as that of Petersen, Hjelmarb and Vrangbækc (2018), made a comparison between different services (technical and social services) and found that contracting-out technical services results in a further saving relating to costs when compared with social services. This illustrates implicitly that lower cost is not the only factor which is associated with contracting-out public

services, but there are also other factors that have not been studied in-depth including, for example, the nature of the services and the financial circumstances. Moreover, Alonso, Clifton and Díaz-Fuentes (2015) found that contracting-out was not connected with a decrease in public sector capacity in terms of expenses and employment. This means that at times outsourcing does not help the government to cut its spending, which is one of the main objectives of externalization. Basing their research on TCE, Rodrigues, Tavares and Araújo (2012) concluded that public services which include highly specific assets will be contracted out to not-for-profit organizations or to other governments. Besides, services which are difficult to measure will be delivered via in-house techniques. As noted above, the main area of focus of such studies is the decision to contract-out and what will affect this kind of decision. The influence of transactional costs and institutional limitations on decision-making for contracting-out has been examined by Balakrishnan et al. 2010) as a response to environmental challenges. They used data gathered across six years and from 357 hospitals to investigate the influences of forms of service and ownership on contracting-out. They revealed that these influences result in the greater contracting-out of non-clinical services relative to clinical services, and the greater contracting-out of non-clinical services in order to manage care cost pressures.

A few studies have also looked at contracting-out using Agency Theory (Awortwi, 2012). An agency relationship is 'a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent' (Jensen and Meckling, 1976, p.308). It is essential that attention is paid to the relationship between the principal (government) and the agent (public service provider) in order to maintain a high level of the rendered service. The main problems that are associated with any principal-agency relationship are moral hazard, information asymmetric and adverse selection. Moral hazards exist when the agent takes actions against principal's interest. Information asymmetric occurs when the agents have more information than the principal. In addition, managers within the public sector should pay attention to two factors when the externalizing

strategy is applied. The first is controlling the contract to ensure all cost transactions. The second is the probability of suppliers' opportunism (Young and Macinati, 2012).

In terms of the private sector, contracting-out techniques have been studied by Espino-Rodríguez and Padrón-Robaina (2006) based on the resource-based view (RBV). They made a comparison (looking at similarities and differences) between TCE and the resource-based view theory. TCE discusses the negative influences of contracting-out certain assets, whilst the RBV concentrates on the positive dimensions of not contracting-out these activities, including certain assets. The authors denoted that the two theories supplement each other and concluded that in order to have a positive impact on organizational efficiency and capability creation across organizational borders, the relationship between the principal and the agent needs to be transformed into intangible assets and resources with their own value, which creates inimitable inter-organizational routines. It can be said here that most existing literature focuses on the economical dimensions of contracting-out, while ignoring the non-economical dimensions, such as the structure of the organization, which also influences the controlling of contracting-out. In general, contracting-out can create different problems, not only prior to decision-making, but also after the government makes the decision to contract-out. The next section will present the main possible issues faced when contracting-out.

3.5 MAIN POSSIBLE ISSUES DURING CONTRACTING-OUT PROCESSES

Contracting-out is an ongoing process and it needs to be evaluated periodically. Damanpour, Magelssen and Walker (2019) indicated that knowing more about the process of externalization will lead to a boost in terms of the sustainability of the externalizing decision and a decrease in terms of the insourcing decision. Their study emphasized the importance of the process of contracting-out which most of the previous literature has not examined in detail. Generally, contracting-out confronts ex ante and ex post problems, and the ex-ante stage has been investigated

in-depth by scholars, whereas the ex-post stage needs much more attention. In this section, it will be explained the main possible issues of contracting-out.

3.5.1 Asset specification

Asset specificity is a variable that has been associated with TCE as well as uncertainty. The services that have high asset specifications are less likely to be contracted out and are more likely to be produced internally (Brown and Potoski, 2003b). Once a contractor wins a contract, it will be difficult for the government to look for an alternative provider when the contract is nearly completed. Consequently, the government will face a monopoly as these types of investment will create a barrier for other producers.

3.5.2 Goal incongruence

Another factor that is associated with agency theory and might threaten the effective operation of a contract is goal incongruence which occurs amongst the government and public service providers (Brown and Potoski, 2004). Agency theory argues that any two parties (e.g., government and public service provider) are concerned with their own objectives. Thus, the former is seeking a high-quality service or citizens' satisfaction, while the latter is looking for the maximizing of profit which ultimately leads to opportunism. Likewise, Terman and Feiock (2016) stated that sharing common objectives is considered to be an important factor in contracting relationships. They added that when the service provider and the government have a similar objective, contract obstacles will be minimized. With respect to the previous statement, it might be difficult to apply this in practice when the government and the private sector have totally different goals. Morgan, Doran and Morgan (2018) also highlighted how government and private agencies have different goals; the latter are seeking profit whilst the government is looking for lower costs and high performance.

Within contracting-out arrangements, unfavorable selection and performance ambiguity may arise. These types of agency issues have been studied by Bhattacharya and Singh (2019), based on agency theory. They found that information asymmetry affects the ambiguity of performance through

unfavorable selection, while a similarity of objectives directly affects the ambiguity of performance, without unfavorable selection. It means that where there is more similarity of objectives, there will be less performance ambiguity.

Rossetti and Choi (2008) claimed that there are three main indicators which have been found to be incongruent with the goals set between the purchaser and the service provider. These include contract inflexibility, financial and operational dysfunction, and the attractiveness of the aftermarket. The authors found that goal incongruence is a significant mediator variable in purchaser–vendor relationships. Consequently, supply management which combines flexible and incomplete contracting may tend to be more effective than coercive mechanisms which are often used in industries.

3.5.3 Uncompetitive market

Another key point highlighted in previous studies is the presence of competitive markets (Johnston and Girth, 2012). The lack of competition in the public sector market exists when there is no, or only one, service provider which, like asset specification, leads to monopoly. Markets that once were competitive can change rapidly, becoming non-competitive simply by losing one or more vendors (Girth et al. 2012). For this reason, public managers should be aware of this kind of scenario and the consequences of an uncompetitive market. The same authors also claimed that competition relating to outsourcing depends on the size of the region. The numbers of competitors are increased in an area that has a large population; nevertheless, small cities are less favorable for competitors. On the contrary, competition does not necessarily lead to fully operational contracting-out; effective control is also needed (Fernandez, 2009). This indicates that competition might lead to low costs, but it does not guarantee high performance. Another study carried out by Johnston and Girth (2012) claimed that the forms of services do not, indeed, indicate the level of competition amongst service providers. In other words, the marketplace might have enough service providers for services which require a high level of performance. According to Brown and Potoski

(2003b), governments contracting-out occurs less when there are fewer service providers in service marketplaces. This is because the vendor opportunism risk is increased. Contracting-out in non-developed service provider markets has been studied by Aamer (2018). The concept of a non-developed supplier occurs when finding a service provider is difficult. The authors sought to evaluate the capacity and capability of service providers. They demonstrated the necessity of ensuring that the service provider, while contracting-out to a non-developed service provider, has efficient order processing in terms of generating and tracking the documentation required for order execution. The service provider must be committed to setting up information exchange networks to ensure that both parties interact with, and appreciate, product specifications and expectations.

3.5.4 Political and ideological implications

Andrews and Hodgkinson (2016) claimed that once a contract decision has been made, significant political and economic considerations remain at stake that eventually have an impact on the outcome of the ‘bid’ decision (i.e., either contracting with a profit or non-profit provider).

As we know, politics plays a fundamental role in almost all of the decisions that are considered as causing an economical effect. Contracting-out is considered to be one of the decisions that results in an economical effect, whether positively or negatively, from a governmental perspective. In terms of politics, De la Higuera-Molina et al. (2019) conducted a study in Spanish municipalities between 2002 and 2014, and they argued that politicians might take advantage of contracting-out. They concluded that the bulk of contracting-out is directly increased in election years. They have called this action an “opportunistic political cycle” because these strategies have been used as an advantage for politicians during times of election.

Schouste, Budding and Gradus (2018) investigated the effects of Dutch municipalities choosing between contracting-out and an in-house method of service delivery. One of their main findings was that the municipalities which were driven by right-wing politicians tended to contract out their public services. However, the municipalities which were driven by left-wing politicians were more

inclined to lean towards an in-house type of service delivery. This finding claims that politicians influence, in one way or another, the decision-making regarding contracting-out. In a similar way, Sundell and Lapuente (2012) carried out a survey in Sweden to examine the role of politicians in the decision-making of contracting-out public services to the private sector. They found that contracting-out was not only affected by the (ideological) standards of Adam Smith, but was also affected by the (strategic) standards of Niccolo Machiavelli. Also, they added that contracting-out shapes a market-friendly attitude due to voters being hired in the private realm. Therefore, this means that politicians might adopt contracting-out in order to obtain electoral benefits.

3.5.5 Contract management capacity

Contract management capacity, which is associated with TCE, can be referred to as any government activity which is relevant to contracts with privately owned or non-profit agencies. This includes, for example, writing or creating an Invitation to Bid or a Request for Proposal, designing a bid response rating system, ranking bid responses, contract awarding, additional negotiations leading to a signed contract, and contract management (Lawther 2002, cited in Ernita Joaquin and Greitens, 2012, p.807). Brown and Potoski (2003c) illustrated three factors of contract management capacity that exist when both government and the service provider have a contractual relationship. Feasibilities assessment capacity addresses whether a specific commodity or service is worth being contracted out; implementation capacity refers to the bid of the contract, selecting a service provider, and the negotiation of the contract; and evaluation capacity includes evaluating the performance of the service provider. They clearly concluded that governments which develop these capacities will not be invulnerable from contracting dilemmas, but they will be in a more favorable position to avert being in a worse situation. Thus, it can be seen that investing in these capacities will permit governments to better manage and control the contract. Correspondingly, Yang, Hsieh and Li (2009) expanded on the contracting management capacity. They found that agenda setting, formulation of the contract, contract implementation and evaluation have an influence on the performance of the contract.

3.5.6 Loss of control

Another factor that affects the contracting-out method is the fear of loss of control from a government point of view. Jing and Savas (2009) mentioned how being afraid of loss of control is one of the reasons why governments seek partners with whom they have existing relationships or a history of deferential enforcement. It can be said that being afraid of a loss of control will decrease when the government establishes a qualified control system to evaluate and monitor the public service provider.

3.5.7 Output measurability

Measurability of the service, which is linked to TCE, references the difficulty faced by a government in designing a contract to measure the performance of the service or track the activities required to deliver the service (Wassenaar, Dijkgraaf and GradusIt, 2010). It is important to measure the public service which is being rendered by the vendor, as it is known that there is no service that resembles another service. There are two types of service. This first is the hard type of service which is a service that is easy to specify and has a low level of performance ambiguity, such as cleaning and road maintenance. In contrast, a soft type of service is difficult to measure and has high performance ambiguity, such as health care (Johansson and Siverbo, 2018). Difficulties in measuring the service will require more control efforts from the government; however, when the service is easily measured, it will not require intensive control. As stated by Ferris and Graddy (1991), once the contract is signed, it should be controlled. The researchers added that measuring the output for tangible services, such as refuse collection, is different from intangible services such as childcare and health. In addition, when governments become more dependent on the service provider, there is the potential to lose knowledge regarding the process and characteristics of the outsourced public service. As a result, they will likely face more difficulties in measuring and evaluating the quality of the service provider's activities and output (Van der Meer-Kooistra and Vosselman, 2000). Once both parties have reached a matured relationship, increasing the level of

output measurability is developed by increasing shared knowledge between the government and service provider, which is a characteristic of the bureaucratic based pattern (Langfield-Smith and Smith, 2003).

3.5.8 Trust

Finally, the last main factor that plays an implicit role in contracting-out is trust. Trust is one of the factors which influences the relationship between the government and the service provider. Bijlsma-Frankema and Costa (2005) have discussed how most scholars seem to concur that positive expectation towards other party and a willingness to be vulnerable are significant factors in the definition of trust. They have divided trust into two types. The first, interpersonal trust, refers to trust between individuals. The second, process or systemic trust, refers to trust in terms of the activities of organizations, structures and social systems. In the implementation stage of contracting-out, it is very important to recognize how trust plays a role in the contracting-out process, and its influence on the provision of public services. Woolthuis, Hillebrand and Nooteboom (2005) concluded that trust comes before contracts, and that trust and contract could complement or substitute each other.

It can be claimed from the aforementioned factors that a government should recognize the contours of risks that could occur when there is a poor government system. Contracting-out, as with any other techniques that have been used by a government, should be subjected to a regular assessment to specify where weaknesses are located. In doing so, the overall results which are expected from contracting-out, such as citizens' satisfaction and high quality, will be reached.

The private sector seems to be experiencing some difficulties with contracting-out. Barthelemy (2003) examined contracting-out in the private sector and has identified seven major problems that are associated with contract failure as follows: contracting services that should not be contracted out (e.g. core businesses), choosing an unqualified service provider, designing a fragile contract (being imprecise), overlooking staff problems, improperly controlling the contracting-out of

services, neglecting the invisible costs of contracting-out, and not having an alternative plan in case of contract failure. Therefore, it can be said here that although contracting-out is a powerful technique, the private and public sectors have shared obstacles that are existent in exercising contracting-out techniques.

Based on prior studies, **Table 3.1** summarizes the main possible issues confronted by contracting-out for public services. These possible issues can be considered as being significant risks that affect the contracting-out method unless public sector actors are able to deal with them in order to avoid contract failure. When the government exercises contracting-out, it should realize the nature of these factors and to what extent their influences might affect the way in which the contract is managed or overall outcomes. It should be clarified that some of these issues are associated with the decision-making stage and others are associated with the implementation stage.

Table 3.1. Possible issues with contracting-out

Possible Issues with Contracting-out	Authors
Asset specification	Brown and Potoski (2003)
Goal incongruence	Brown and Potoski (2004)
Political pressure	Alonso, Andrews and Hodgkinson (2016)
Contract management capacity	Ernita Joaquin and Greitens (2012)
Uncompetitive market	Girth et al. (2012)
Loss of control	Jing and Savas (2009)
Measurability	Johansson and Siverbo (2018)
Level of trust	Woolthuis, Hillebrand and Nooteboom (2005)

Overall, after identifying the crucial factors that might influence contracting-out, there is a need to concentrate on the relative factors that are associated with contracting-out control, which is the

central focus of this thesis. In relation to this, the next section will shed some light on contracting-out control and determine some gaps in prior studies.

3.6 CONTROLLING AND MONITORING CONTRACTED-OUT PUBLIC SERVICES

Contracting-out is a double-edged sword because if it is not monitored or controlled properly, it will undermine the public service. Control can be defined as an organization striving to increase the likelihood that individuals will act in ways that lead to the achievement of organizational goals (Flamholtz, Das and Tsui, 1985). This has been largely overlooked in terms of the procedures through which contracted-out public services are managed and controlled (Ditillo et al., 2015). It is crucial that public organization actors discern and develop the way that their organizations control outsourced services, both financially and non-financially. Equally important, before a decision has been made to contract-out the public service, a prior step is to establish an effective control system. As governments turn more towards relying on the private sector to provide public services, it is highly significant to apply the most sophisticated methods of controlling and monitoring the contract. The managing and monitoring of the externalized public service is crucial. Damanpour, Magelssen and Walker (2019) indicated that knowing more about the process of externalization will lead to a boost in the sustainability of externalizing decisions and decrease insourcing decisions. Hefetz and Warner (2004) pointed out that if the controlling system is fragile, it will result in a higher amount of contracting back. This means that the government should concentrate on the process of externalization in order to maintain the cost and quality of the service. Additionally, difficulty in managing public services, and those which are more difficult to specify such as elderly care, are not expected to be contracted-out (Warner and Hefetz, 2012). This denotes how unclear specified contracts are highly risky and hard to control.

Similarly, Brown, Potoski and Van Slyke (2008) argued that when a situation is altered, the government needs to reconsider their delivering approach, and may perhaps have to change it. This

means that the control process should be employed efficiently in order to remedy such circumstances and monitor contracting performance. For example, if the supplier does not comply with the contractual conditions set, government actors should set penalties or terminate the contract and look for an alternative way to run the contract.

Managing the relationship between different organizations has attracted considerable interest from accounting researchers, particularly in relation to the outcomes and influences which affect management accounting, and the practices of control needed to monitor such relationships (Dekker, 2016). The term “Control System” can be defined as being a set of processes that agencies apply to control, manage, and assess agency activities (Langer and Mani, 2018). Markedly, different authors have used different classifications of control. The next section will explain the different characteristics of control.

3.6.1 Characteristics of control systems

According to some researchers, and consistent with TCE (Ditillo et al., 2015; Sarapuu and Lember, 2015; Caglio and Ditillo, 2008; Langfield-Smith and Smith, 2003; Speklé, 2001; Van der Meer-Kooistra and Vosselman, 2000), three main inter-entity control patterns exist, something which was initially described by Ouchi (1979). These include market-based patterns, trust-based patterns and bureaucracy-based patterns. Market-based patterns are those control systems in which a competitive bidding process occurs at regular stages, and contracts do not consist of a very high degree of detail; furthermore, payment is essentially premised on standardized outputs. Bureaucratic patterns involve a formal bidding process, proper selection criteria, and detailed long-term contracts in order to track the performance of entities. Here, payment is predicated on the actual steps taken, and financial control mechanisms are comprised of specified norms. For example, the selecting of vendors is contingent on specific conditions in order to ensure transparency and equality. This aim of these mechanisms is to ensure a continuous surveillance system, and evaluate and direct the information process. Finally, trust-based patterns include non-

specific deals that are developed and sustained over time via extensive personal communication under the good faith that the other party will behave ethically and responsibly. Under this mechanism, the contracting parties rely on trust as a predominant control mechanism. For example, the choice of a provider is based on trust and reputation. The contract between the involved parties is less detailed. Also, payments for providers are not directly based on activities/outcomes (Van der Meer-Kooistra and Vosselman, 2000). A study carried out by Dittilo et al. (2015) found that trust-based patterns are more prevalent within public organizations rather than bureaucratic market-based patterns.

It should be noted that few prior studies regarding contracting-out control have applied TCE (Dittilo et al. 2015; Brown and Potoski, 2003a, 2003b; Van der Meer-Kooistra and Vosselman, 2000) in order to identify the risks that are associated with managing the contract. In contrast, some studies pertaining to contracting-out control have relied on agency theory and have mainly concentrated on minimizing opportunity costs and the moral difficulties which can arise between the government and the service provider (Awortwi, 2012; Marvel and Marvel, 2008; Milward and Proven, 2000). It is concluded by Awortwi (2012) that effective contracting-out depends on effective management by public managers. In similar vein, Milward and Proven (2000) concluded that there should be a clear principal-agent relationship to increase the level of governance by government. In the next two subsections, it will be presented the different control categorization and performance management.

3.6.1.1 Control categorization

It should be clarified in the first place that governance forms (market-based, bureaucratic and trust-based) are different from the notion of control (Speké, 2001). Nooteboom (1999) denoted that the governance notion includes the control notion, but the former is a broader concept. One mode of governance could consist of different control types (Speké, 2001). For instance, outcome and social controls can be used in trust governance pattern (Langfield-Smith and Smith, 2003). Malmi

and Brown (2008) argued that there is a low level of perception regarding the implications of different methods of control including, for example, administrative or cultural controls. It is necessary to recognize the different control mechanisms and determine which of them is the most suitable for adoption. According to Yang, Wacker and Sheu (2012), there are two types of contracting-out governance patterns¹¹: these are contractual and relational. Contractual is considered as being formal control¹², whereas the adoption of the relational pattern leads to informal control¹³. They revealed that environmental risk is the only element that has a considerable and direct impact on the performance of contracting-out amongst other transactional attributes (including asset specification and performance ambiguity). The authors added that both contractual and relational governance tends to provide effective protection against risk, asset specificity, and performance ambiguity, which will eventually lead to a better level of competitiveness. Neither contractual nor relational governance is effectively equal in terms of protection against opportunistic behaviors. It is worth noting that there are some control types that can be used in the two governance patterns. For instance, outcome control can be used in both bureaucratic and trust governance patterns (Langfield-Smith and Smith, 2003).

Pernot and Roodhooft (2014) emphasized the significance of informal control on the administration of service provision, and highlighted how formal control is unable to cope with operational dilemmas. Verhoest (2005) studied four mechanisms of control that exist in the public sector including input control, result control, performance control and competition from the perception of reducing input control, and increasing the other mechanism to give managers more flexibility. The author suggested that public organizations could be encouraged to perform well by reinforcing behavior by means of managers' independency through combining it with more result control, financial incentives and competition, unless these control mechanisms are utilized in a

¹¹ These are safeguards that a government puts in place in order to protect against opportunism created by ambiguity in performance (Yang, Wacker and Sheu, 2012).

¹² It involves both outcome and behavior controls such as rules and standards (Ouchi, 1979).

¹³ It is related to shared norms and values i.e., clan or social control (Ouchi, 1979).

stable way and if specific conditions are taken into consideration. Rooney and Cuganesan (2009) claimed that contracting was designed to be used as a key means of formal control and to incorporate accounting controls when participants recognized a need for them in order to control problems. The authors added that accounting control might create obstacles in terms of trust and overall relationships between the government and the service provider. Kang et al. (2014) examined the relationship between contracting-out strategies and organizational control mechanisms. They looked at both formal control (output and process control) and informal control (social control) and examined which type of control mechanism might be more beneficial in terms of being utilized during contracting-out. They indicated that efficiency-seeking contracting-out strategies have a positive relationship with output control and process control. They also suggested that formal control is highly recommended as a valuable choice for the implementation of efficiency-seeking contracting-out approaches because it eliminates the potential for conflict as well as the opportunistic actions of partners. Furthermore, Farneti and Young (2008) argued that different types of contracting-out have various levels of risk. Thus, the model of governance needed for effective contracting-out depends on the nature and quantity of that risk. The researchers introduced four types of governance models including procedural, corporate, market, and network governances¹⁴. Public managers should be able to utilize the right governance model properly in order to minimize risks during contracting-out. Additionally, management control types within the public sector have been explained by Van der Kolk (2019). These include the following: Personnel controls (people), which comprise training, the selection process, and the designing of jobs; Cultural controls (shared norms and values), which contain the values of the organization, unwritten rules and a code of conduct; Results controls (outcomes), which refers to the measurement of performance and customer satisfaction; and Action controls (behavior), which

¹⁴ Procedural governance is described as a centralized public administration based on rules, protocols, and specific practices. Corporate governance focuses on planning, budgeting, and reporting. Managers are concerned with outcomes instead of inputs. Market governance is related to introducing contracting-out and competition in the public sector. It encourages the use of performance-based service contracts and cost-effective methods. Network governance strives to enhance collaboration between governments and service providers (Farneti and Young, 2008).

includes monitoring, rules of work and procedures. The author concluded that understanding these control types would improve the way in which governments provide public services.

Furthermore, government actors should be more vigilant in terms of utilizing the most appropriate type of control in order to achieve positive results. Dittilo et al. (2015) recommended how governmental managers should realize the variety of forms of control, and take into consideration the most suitable method of control which can be applied in managing relationships with the public service as well as the nexus between service and relationship characteristics. Another point to be borne in mind is that the control system requires synergy from all staff members in order for organizational objectives to be achieved. Lindholst and Bogetoft (2011) addressed the major challenges faced in managing the contracting-out process, and they indicated how the duty of controlling the contracting-out process is not simple, and it requires a clear understanding of purposes, tools, and teamwork.

3.6.1.2 Performance management

Dekker (2004) claimed that even though the preparing and implementation of formal control mechanisms may be necessary for managing control issues, it is recommended that choosing a 'good' partner can mitigate these problems to some degree and thus reduce the need for costly formal governance. Fernandez (2007) highlighted three fundamental topics regarding contracting-out performance. The first is the classical method of contracting which includes some factors that influence the performance of contracting-out, such as competitive markets, and having tight contracting control to manage the performance of the provider. The second is relational contracting which addresses some elements including, for example, working with the service provider to solve performance problems, collaboration to encourage high performance, and enhancing trust between different parties. The third is implementing the policy; this refers to political support and financial resources to enhance monitoring the performance of the provider. The author concluded that fundamental effective contractual relationships have specific factors

that reach beyond the classical contractual relationship. It was also found that creating very strict contract specifications and intensively controlling the performance of the contractor will not necessarily increase their performance. Another study which was carried out by Feng, Ren and Zhang (2019) indicted that most organizations have insufficient knowledge regarding the service provider either due to geographical issues or a lack of knowledge about the local environment.

Kim (2017) interviewed 23 private and public contract managers and found that there was wide dissatisfaction with the contracting-out structure. It was discovered that one of the fundamental causes for being dissatisfied with the contracting-out system was due to insufficient contracting-out control. For this reason, it is important to understand and improve the overall control system in order to maintain an optimal level of public service. Johansson, Siverbo, and Camén (2016) argued that public organizations do not only have to protect themselves from opportunism from the perspective of the supplier, but they also have to establish controls to ensure that the link between suppliers and buyers is well established. Likewise, if contracting-out is accurately controlled, it will lead to the efficient and effective provision of the public service (Johnston and Seidenstat, 2007).

Mahama (2006) examined the connections between management control systems (in particular performance measurement systems and socialization processes) and cooperation and how this translates into desired relationship performance. The author revealed that there are strong relationships between performance measurement systems (PMS) and three aspects of cooperation (information exchange, solving problems and ability to adapt to change) as well as an implicit relationship between PMS and power restraint¹⁵. Additionally, the role of PMS in socialization processes is found to be facilitating. The author also revealed that cooperation is positively linked to performance, with the exception of the information-sharing aspect, whereas the relationship between information-sharing and performance was only indirect and mediated by the influence of

¹⁵ Restraint from the use of power is an indication of individuals' tendency to collaborate with each other (Mahama, 2006).

restraint from the use of force. In the following section, it will be presented the factors that affect the control decision during contracting-out.

3.6.2 Factors affecting control decisions and systems

The way in which a government controls contracted-out public services is influenced by various factors. Previous studies have identified some of these factors which include the type of public service provider (for profit or not-for-profit agencies) and measurability. An explanation will be provided in the following subsections regarding how these factors affect the controlling of contracted public services.

3.6.2.1 Not-for-profit vs for-profit agencies

Van Slyke (2007) examined the managing of the contract relationship between government and not-for-profit organizations. The researcher used both agency and stewardship theories¹⁶ to study the way in which government and non-profit contracts are managed. Additionally, he claimed that trust, reputation and monitoring, and other such elements, impacted on the way in which contract relationships are controlled. The way of how contracting-out with a non-profit agency develops over time and shifts from agency theory to stewardship theory suggests less differentiation than the theories would imply. It can be said that a relationship improves over time between the government and the public service provider and leads to what is called “trust”. In a similar way, Sundaramurthy and Lewis (2003) used both agency theory and stewardship theory to explain the similarities and differences regarding control and collaboration methods. They argued how controls that are deemed to be oppressive and restrictive transfer the locus of control from agent to principal, thus decreasing the incentive of the agent to comply. Such a scenario is more likely to occur when trust is weakened, reducing the overall motivation of the agent in terms of their work, and increasing the principal’s desire for power.

¹⁶ Stewardship theory assumes that a steward places a high value on goal convergence and cooperation as well as being trustworthy and collectivists (Van Slyke, 2007).

In a similar context, Lamothe and Lamothe (2011) found that governments are more prone to trust the service provider who shares similar objectives to them, or who come from the same background, such as another government. This means that trust can be built through goal congruence between the government and the public service provider. Furthermore, Lamothe and Lamothe (2013) examined different types of service providers (including for profit, not-for-profit and other governments) in terms of trust and the way in which a contract is monitored. They found that not-for-profit vendors were mostly utilized for services that were difficult to define. Nevertheless, not-for-profit vendors did not receive higher levels of trust when compared with for-profit vendors, and thus it was not felt that they should receive a lower level of control when compared with a for-profit service provider. It was identified that other governments are more likely to be trusted and to receive lower levels of control when compared with other types of contractors.

In terms of monitoring the performance of the public service provider, Marvel and Marvel (2007) pointed out that monitoring performance will be less when the government contracts out its public service to another government or a non-profit organization. It must be made clear that this point indicates how opportunistic behavior is considered to be less present in this situation. Thus, the level of monitoring performance will not be quite as intensive when compared to contracting-out to a privately owned organization. Additionally, Marvel and Marvel (2008) examined the manner of monitoring used in cases of contracting between governments, based on stewardship theory and agency theory. They again confirmed that governments will conduct less robust monitoring when contracting-out to another government, compared with contracting-out to non-profit agencies. Their findings, however, are incompatible with stewardship theory because the relationship with another government vendor is more akin to that of an agent rather than a steward. Amirkhanyan (2010) investigated whether the ownership of not-for-profit and for-profit organizations influenced the monitoring of performance of the public service provider. They conducted semi-structured interviews and found that most of the interviewees refused to accept the concept that ownership

mattered, or argued how they were not aware of its influence. The study also examined the manner of monitoring. The author claimed that the monitoring of non-profit vendors was more likely to depend on the supplying of qualitative information and the reviewing of fair access to services, the integrity of contractors, and regulatory compliance. Witesman and Fernandez (2013) found that contracting-out to non-profit organizations is more favorable as it requires less monitoring and there is a greater level of trust when compared to for-profit organizations. However, there was no noticeable divergence in terms of actual service performance between these two parties.

3.6.2.2 The measurability of the service

The possibility to measure the contracted public service plays an important role in terms of how the service is controlled and managed. It is part of the responsibility of the actors in government to monitor the performance of the service provider. Langfield-Smith and Smith (2003) highlighted how measuring such a performance is a challenging process. They also discussed how a more complicated service requires more control and vice versa. Brown and Potoski (2003b) argued how governments tend to produce the service internally if that service is harder to control and measure. In this case, the government is being risk-averse. However, this kind of decision has to be made based on a deliberate strategy that indicates the cost for externalizing some difficult to measure services. In terms of measurability, public services can be divided into two groups. The first is services that are easy to measure and which have non-specific assets, such as refuse collection (Brown and Potoski, 2004). The second is services which are difficult to measure and define, such as the providing of an AIDS service (Van Slyke, 2007). It has been suggested that contracts should include concrete measure-oriented goals instead of process- or activity-based measurements (Elkomy, Cookson and Jones, 2019). Dittilo et all., (2015) explored the adoption of control mechanisms for public service provision at the municipal level. They concluded that trust-based controls in particular are the most commonly used, but they cannot be clarified by traditionally used contract-out and inter-organizational variables.

3.6.3 Control patterns and characteristics in the private sector

As with the public sector, the private sector also needs to practice control over contracted services in order to obtain a high quality of provision. From this perspective, some studies have examined the control of firms towards other contracted firms. Anderson et al. (2013) discussed the risks associated with such an alliance which emerges when organizations are placed in a position of an inter-organizational relationship. They also highlighted the particular control techniques that are utilized in order to control these risks. They concluded that risks regarding performance were of greater concern to alliance managers than relational risks. It was deemed that risks regarding compliance and regulations were particularly important in terms of accounting and financial partnership work, possibly because they are prevalent in specific accounting systems. Organizations can apply a variety of controls in order to manage many risks rather than depending on a sole method of control (such as contract terms). The authors also added that the selecting of partner and management processes, contract result requirements and termination agreements are important performance and relational risk management mechanisms. Risks regarding compliance and regulations are mostly associated with the use of informal controls.

Dekker (2008) examined partner selection and the governance structure to manage interfirm relationships. The author indicated that the purchaser, with an already known service provider, used the partner selection process to alleviate issues relating to larger and more ambiguous transactions, while the main goal of governance design was to organize larger transactions with more interdependent tasks. By contrast, it was found that organizations with no previous joint experience constructed governance structures which were more of a response to concerns arising from asset specificity and dependency, whereas in their supplier choice efforts they were merely responsive to transaction size. In terms of contracting-out information systems, Christ et al (2014) claimed that two types of formal controls (output and behavior) are substantial enough for effective organization information system governance; however, it was found that behavior controls might be particularly appropriate to use in order to control the contracting-out of daily transactions (such

as payroll and accounts receivables) since their fulfilment could be accurately identified. Finally, the authors suggested that suitable informal controls are very important for organization information systems because of the idiosyncratic nature of contracting-out processes and the challenges faced in precisely gauging the quality of the delivered service.

Rooney and Cuganesan (2013) examined issues of control and the interplay of inter-organizational control in terms of influencing the adoption of specific management control systems within contracting-out relationships in newly established companies. They found that action controls tend to be reinforced and are more favorable when applied as a type of management control. On the contrary, they found that output controls were less preferred by the buyer managers but not by the seller company. These preferences affected inter-organizational control adoption within the frame of incomplete contracts which emphasizes flexibility with regard to relationships. To clarify, Schoenherr, Narayanan and Narasimhan (2015) defined contract flexibility as being the capability to make changes during the relationship with respect to needs and incentives, and it is regarded as being an important aspect of the relationship due to its ability to respond dynamically to unforeseen events that occur during the period of the relationship.

Some scholars have also examined power as a fundamental factor in relationships between organizations. Within this context, Huo et al. (2019) examined how purchaser and service provider dependency impacted on the other party, and their employment of coercive and non-coercive power¹⁷, which contributed to the opportunistic aspects of the two parties. They denoted how, if a service provider is extremely dependent on a purchaser then the purchaser will have a high level of power over them. They added that a service provider who is dependent on a purchaser is likely to be very cautious and careful in terms of using coercive power if the relationship with the purchaser is impaired, resulting in a deterioration of the relationship.

¹⁷ Coercive power involves negative action over another party (e.g. punishment and threat) while non-coercive power involves positive actions (e.g. supporting and assisting actions) (Huo et al. 2019).

As recommended by Caglio and Ditillo (2008), it is essential to identify control issues and related control solutions in environments whereby no dominant party can choose or force any control option against the interests and willingness of the other partners. Relationships can be expected to change over the life cycle, with actors moving on opposite paths, even though the point of departure may have been the same. Clearly, both the public and private sectors have recognized the importance of establishing an effective control system which will contribute to the efficient providing of a service. Consequently, it is important to understand the relationship between the government and service provider in order to be able to apply the ideal pattern of controls. However, prior studies have neglected to conceptualize this significant relationship and have provided little insight regarding its consequences. As such, another aim of the current study is to explore how the characteristics of the relationship between government and public service providers are associated with the way that governments control and monitoring public service providers. The next section will discuss possible ways to manage this relationship and related behaviors.

3.7 MANAGING RELATIONSHIPS AND BEHAVIORS DURING THE MONITORING OF CONTRACTING-OUT

Governments and public service providers are the main actors in the contracting-out process. They should maintain a balanced relationship in order to avoid any risk of being derailed from their initial objective which is to provide an efficient and effective service. Managing the relationship between the government and public service provider is a crucial aspect because it influences the overall outcomes. Milward and Provan (2003) argued that successful networking management will lead to a sufficient balance in terms of managing collaboration and contracting. Networking management includes cooperation incentives, creating effective contract relationships, and designing the structure of the institution with evident agency relationships. Similarly, Brown and Potoski (2004) discussed the development of a public service contract through network management. They concluded that even when the government contracts-out an easy to gauge public service, the public

directors should be able to conceptualize the operations of the market in order to avoid market failure. They should be thoroughly involved in networking activities in order to minimize the absence of necessary information. This section will present the main factors, as suggested by previous studies, that influence the relationship and behavior of public service provider during the implementation stage of the contract. This includes party characteristics (for example, trust, organizational culture and the political visibility of the service).

3.7.1 Party characteristics

3.7.1.1 Trust

Trust is considered one of the factors that affects the relationships between government and public service provider). In particular, the interplay between government and public service provider and the way the service is managed and controlled frequently depend on the level of trust between these two parties.

According to Minnaar et al (2017), contracts and control systems are more than tools; in fact, they are actors. Trust is not a direct outcome of decision-making. The contract-control-trust relationship is not established in the tool relationship, but is both generated by, and constitutive of, the connections amongst agencies. Furthermore, these associations can produce complex interactions with unexpected results. Trust is dynamically linked to control in complex and often unexpected ways, rather than in linear ways, as a result of decision-making by management. Therefore, trust is a potential and largely unpredictable network effect from a relational perspective. In addition, Kastberg (2016) explored the role of trust and control in public sector environments in which several organizations function together with the aim of advancing the realization of trust and control in relationships which involve multiple parties. He demonstrated how formal control has been used for both signaling trust and restricting trust growth. Furthermore, formal control often has side effects which can complicate relationships. The development of trust has given rise to both mistrust and demands for more formal control. When trust arises in a relationship between

two parties, it may be viewed negatively or skeptically by a third party which is significant, who may then push for increased formalized control.

Vosselman and Van der Meer-Kooistra (2009) claimed that trust is a key factor in inter-organizational relationships. The absence of trust promotes the structure of formal control and practices for interest alignment. Its existence indicates positive expectations that there will not be opportunistic behaviors occurring. Trust assists with two main elements: producing control and adding to control. However, control may reduce the degree of trust in circumstances where it exceeds the necessary levels for legitimate negative expectations of behaviors. Over-controlling and accounting may lead to negative outcomes in terms of the stability and durability of the relationship. Significantly, Edelenbos and Eshuis (2012) studied mutual relationships between different types of trust and control in The Netherlands. They examined trust and control as substituting and complementing each other and found that formal control can harmoniously develop with trust. They also identified how the development of trust and control relies on the particular status which the relationship between trust and control reveals. It is critical for public actors to apply control tools as a way of enhancing trust. Likewise, trust is applied as a method of enhancing control.

3.7.1.2 Organizational culture

In the implementation stage of contracting-out, organizational culture inside both organizations (the government and public service provider) should be considered. Organizational culture is a generic concept that involves the beliefs, shared values, norms and ideologies of staff members which impacts on their way of acting (Schein, 1990). Understanding these components of the organizational culture will assist the government in managing the behavior of the public service provider during the implementation phase of contracting-out. Romzek and Johnston (1999) examined the interplay between reform implementation (in the context of privatization and contracting-out) and the organizational culture. The researchers stated that there is a fundamental relationship between organizational culture and the process of implementing reforms.

Consequently, the culture of the public organization plays an important role in managing the relationship between government and the public service provider. In this context, Slack and Singh (2018) emphasized how it is essential to decode and realize the culture of public sector organizations at both a surface and a deeper level in order to be able to lead the strategies of intervention and support continuous organizational change. However, organizational culture has been little examined in previous accounting studies despite it being one of the major aspects which implicitly affects the behaviors of, and the relationship between, the government and service provider. Chia and Koh (2007) claimed that only private realm organizations have extensively examined the nexus between organizational culture and the success of organizational control systems.

Henri (2006) investigated the relationship between organizational culture and two characteristics of performance measurement systems. The author discovered that top directors of agencies who had a more flexible organizational culture were prone to using more performance measures, and to use performance management systems to concentrate organizational awareness, support strategic decision-making and legitimize actions to a more noticeable extent than the top directors who employed a control dominant type. It can be said that the culture of managers influences the method which they use to manage the organization. Consequently, their culture will influence not only the organization internally but also the parties that have a contractual relationship with the organization (which in this study relates to contracting-out).

According to Jennings (2012), organizational culture (e.g., commitment to organizational mission and adherence to norms) has a major influence on performance measurement and, as such, it is important to pay attention to the way in which culture can be constituted in organizations. The researcher argued that the structures of administration, policy, and the organization's culture, influence the performance management.

3.7.1.3 Political visibility of the services

Political visibility plays an important role in contracting-out control. According to Lioukas et al. (1993), political visibility is positively associated with intensity of control. Cristofoli et al. (2010, p. 359) defined political visibility as being the “perceived importance of the relationship between the city and the service users. A higher number of users tends to attract more attention of politicians, that are generally known for their search for consensus”. The researchers added that the higher the political visibility, the higher the level of interest that the service receives, which could potentially lead to more public interference. They highlighted how, with increased political visibility, high partner awareness and high ownership helps to explain the predominance of a trust-based with bureaucratic model. However, the bureaucratic control model is complemented by market-based mechanisms when the political visibility, partner knowledge and ownership levels are low. Hofstede (1981) emphasized that when objectives are not made clear, political control is established. The author claimed that political control at the top of an organization can go hand in hand with other forms of control within the organization, since the political top might have resolved ambiguities for members. Ditillo et al. (2015) found that political visibility as a tool of control is generally not significant in terms of explaining a preference between the two main control mechanisms (trust-based and hierarchical). However, political visibility seems to be significantly linked to market-based controls. This is because when the public service is more visible to citizens (e.g., waste collection services), it promotes market-type controls (Ditillo et al. 2015). Christensen (2001) argued that using contracts will result in less political control while increasing the role of administrative and organizational managers.

3.8 CONCLUSION

As has been discussed above, governments all over the world have adopted contracting-out as a means to decreasing costs, as well as increasing efficiency and effectiveness of service provision.

Furthermore, NPM, which contracting-out stems from, has been found to be a controversial approach, and many studies have explored the merits and challenges of the NPM model.

Most prior studies have concentrated on the decision of contracting-out. These studies have considered economic efficiency as a fundamental factor for such a decision. In contrast, prior studies have overlooked what happens after a contracting-out decision has been made, which is contracting-out control. As an equally important facet of the contracting-out decision, this part of the contracting-out process needs to be explored and understood accurately. Therefore, the aim of the present work is to fill this gap. The rationale for examining this stage of contracting-out in the present study is that the operation of the contract relies on it being efficiently and effectively controlled. The primary objective of this study is to look at the association between control systems and the actions of both the government and public service providers.

A literature review indicated that the main reason for organizations not attaining their objectives is associated with the implementation stage and not with the decision-making stage (Nutt, 1999, cited in Hickson, Miller and Wilson, 2003, p.1803). Also, the risk of losing control (Veltri, Saunders and Kavanof, 2008; Jing and Savas, 2009) over the service provider is one of the difficulties faced during the contracting-out implementation stage. Again, this emphasizes the importance of the control process and its role in an effective contract management. However, previous research has failed to provide a compelling view regarding how such control systems associate with the government and public service provider's behaviors during the implementation stage of contracting-out. Therefore, by using ST (over the others), this will help exploring the characteristics of the relationship between government and public service providers and the control and monitoring systems put in place and for the interpretation of the findings of this study. Exploring these aspects will assist in filling gaps in prior studies and build better strategies for controlling and monitoring public service provision. Notably, very few studies have covered these topics in relation to developing countries, such as Saudi Arabia (Assaf et al., 2011; Hassanain et al., 2015).

CHAPTER FOUR

THEORETICAL FRAMEWORK

4.1 INTRODUCTION

This thesis draws on ST in order to examine how control systems are related to the behavior of government and public service providers and their relationship. When a government contracts out a public service, the relationship formed between the government and public service provider is bilateral; however, there is also a tripartite relationship that occurs between the control systems put in place and both government and public service provider. It is an iterative process: government and providers interact, creating the contractual structures; and these structures are associated with agents' (government and public service provider) behaviors. The present study looks at this interaction as not just a one-way process, but as an interaction from all sides.

The chapter is structured as follows: the first section provides a justification and explanation of why this theory is useful in this research; the following section will then explain the origin and principals of ST. The third section presents a critique of ST. A discussion of some of the accounting literature which has utilized ST will be presented in the fourth section. In the final section, a summary and development of a theoretical model will be provided.

4.2 RATIONALE FOR THE CHOICE OF STRUCTURATION THEORY

This thesis is based on ST, which provides a theoretical framework for examining the control systems and actions of both government and public-service providers. It should be noted that none of the previous studies, whether in accounting or in management, examined the perceived relationship between control systems and both government and public service provider during the implementation stage of contracting-out. Although controlling the contracted-out public service is an important stage, this aspect has not been given great attention by researchers in the past, and was one of the important motivations for the present study. In addition, previous studies have not

used ST as a theoretical framework to examine the contracting-out of public services at any stage (i.e. at the decision-making, implementation or evaluating stages).

Most of the previous studies that examined contracting-out (Bel, Fageda and Warner, 2010; Brown and Potoski, 2003a) focused mainly on the decision to contract-out or to render the service internally. As such, these studies used TCE, the main reason being because it assists in making better decisions. In addition, TCE is useful for comparing the costs between contracting-out and in-house provision. In studies that referenced the control of contracting-out (Ditillo et al. 2015; Langfield-Smith and Smith, 2003; Van der Meer-Kooistra and Vosselman, 2000), TCE was used because it is useful for examining the control of transactions and how to mitigate their costs. However, TCE does not help in understanding the relations among parties, since it focuses on cost minimization while ignoring the relationship itself.

As shown, some researchers also relied on agency theory (Awortwi, 2012; Witesman and Fernandez, 2013; Bhattacharya and Singh, 2019) to examine the relationship between the government (principal) and service provider (agent). Agency theory is useful if a researcher seeks to evaluate the performance of the service provider. However, it does not allow the examination of the broader relationship, which includes the three pillars of control systems, government and service provider. Additionally, it ignores trust and assumes that the agent tends toward opportunisms. In the attempt to overcome the limitations of these theories, ST will add a more critical view of reality compared to the mainstream post-positivistic theories such as TCE and agency theory.

It appears from the research presented in (Chapter Three) that most attention has been paid to the decision to contract out public services. In contrast, this thesis will focus on the control and monitoring of contracted-out public services. It will investigate the relationship between control systems and government and public service providers, based on the ST perspective. As described by Conrad (2005), ST is a ‘sensitive device’ which notifies accounting researchers of the pertaining

dimensions of the social structure, particularly the way in which the structures of signification are intrinsically linked with the structures of legitimacy and domination'. He added that this theory underlines any agency's crucial role in reproducing or changing the existing structures.

As observed from prior studies, ST has generally not, to date, been applied to the contracting-out context. This theory is suitable for this thesis because it will help us to conceptualize the control systems, which include contract, relations, and rules and regulations, and how the actions of government and public service provider impact on each other within such systems. The framework of this theory will facilitate an understanding of how the rules and resources enable and constrain the control of contracted-out public services.

4.3 THE EMERGENCE OF STRUCTURATION THEORY

ST emerged as a remarkable improvement to the sociology field in the late 1970s. It was introduced by the British sociologist Anthony Giddens (1976; 1979; 1984), who was looking at how people interact with each other and how rules and resources create the structure in which they live. In his essential book, *New Rules of Sociological Method* (Giddens, 1976), Giddens stated that there is insufficient consideration given by authors to social structures with the development of institutions and changes (Giddens, 1976). Consequently, he proposed this theory in order to fill this gap in the social sciences. His fundamental objective was to establish a major social theory in the tradition of sociologists such as Spencer, Parsons and Marx. He focused primarily on creating a set of principles to help clarify what a reflexive agent is, linking reflexivity with positioning and co-presence (Giddens, 1984).

Figure 4.1 outlines the dimensions and modalities of ST. As shown in **Figure 4.1**, ST consists of three levels (structure, modality, and interaction). The structure¹⁸ variables include signification, domination and legitimization. The structure of signification is related to meaning and symbols

¹⁸ Rules and structures that are created by agents (Giddens, 1984).

which constitute conception. In the context of this study, it indicates the understanding of the roles of agents (government and public service provider). The structure of domination demonstrates power, which entails control over allocative resources or materials and people. It conveys the power that the agents are considered to have. The structure of legitimization includes norms that rule the actions of society. It involves rights, obligations and the implementation of sanctions on non-compliant agents. Giddens classifies rules as comprising both signification and legitimization, while resources include domination. These three dimensions interact through mediation, which Giddens refers to as ‘modalities’¹⁹. Giddens uses the notion of modality to connect actions to agents. For instance, the signification structure is mediated through interpretative schemes²⁰ of agents. They form the core of shared understanding through which an open continuum of sense is maintained through interaction and process (Giddens, 1979). The structure of domination is mediated through the facilities, which are the resources that both agents have to exercise power. In other words, power is considered to involve “reproduced relations of autonomy and dependence in social interaction” (Giddens, 1979, p.93). In the present study, both agents are assumed to have the feature of power and, to some extent, they both enjoy being autonomous yet dependent on each other. Finally, the structure of legitimization is mediated through norms; in other words, “the actualization of rights and enactment of obligations” (Giddens 1979, p.86).

Giddens depicted rules as habits and routines. Thus, he indicated that routines, which are part of day-to-day life, are a major aspect of organizational society. He divided resources into two groups: authoritative resources and allocative resources. Authoritative resources are a harmonization of human beings’ activities, while allocative resources are derived from the control of product material or types in the material world. Another key term in Giddens’s theory is social systems, which are influenced by the interplay between agents’ actions on the one hand, and the structures of society

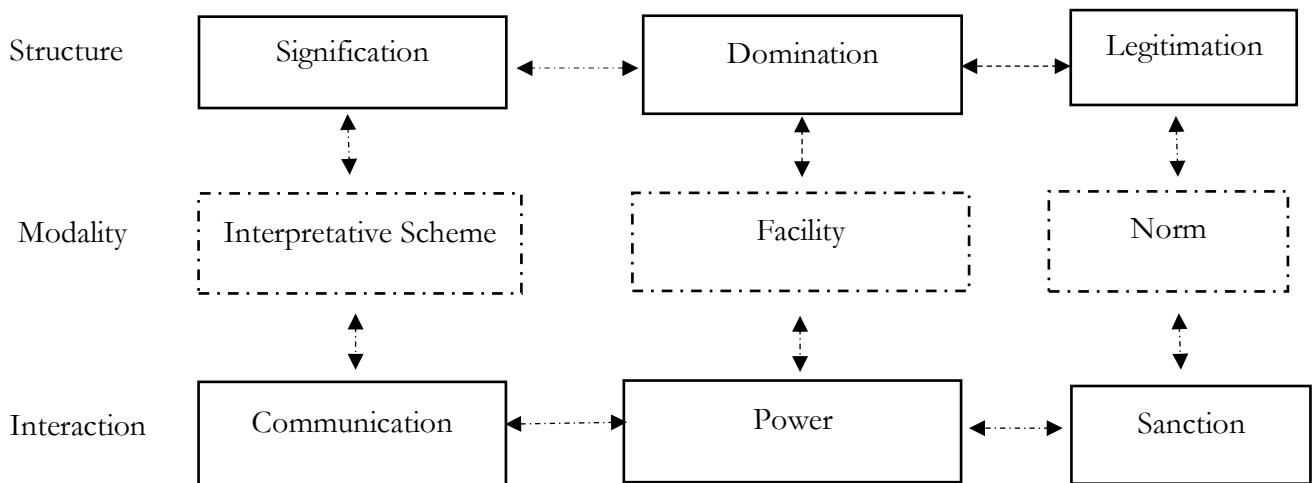
¹⁹ “The central dimensions of the duality of structure in the constitution of interaction” (Giddens, 1979, p.81).

²⁰ “Standardized elements of stocks of knowledge, applied by actors in the production of interaction” (Giddens, 1979, p.83).

on the other (Giddens, 1979). Uniquely, ST is a general theory which offers an appropriate theoretical framework to study social aspects in different fields.

The current study will employ ST to explore how agents (government and public service providers) interact with each other and with controls put in place. As shown in **Figure 4.1**, the structure of signification (meanings) is linked to interpretative schemes by which agents use means of communication (e.g., formal/informal) to interact with each other. The structure of domination is facilitated by resources (facilities) such as accounting systems and reports to control and monitor the service and public service providers. The structure of legitimization is actioned through norms (e.g., standards, rules, rights, and obligations). The agents draw on these norms during interaction and the provider is expected to be sanctioned if not comply with them.

Figure 4.1: Dimensions and modalities of Structuration Theory



Source: (Giddens, 1984, p.29).

The following subsections will review the concepts of ST which Giddens relies on to explain his theory. There will be explanations and definitions of specific terms, including structure, agents and duality of structure.

4.3.1 Structure

In *The Constitution of Society*, Giddens referred to structuration as “the structuring of social relations across time and space, in virtue of duality of structure” (Giddens, 1984, p.376). In particular, structuration relates to the “conditions governing the continuity or transmutation of structures, and therefore the reproduction of social systems” (Giddens, 1984, p.25). Giddens formulated structure as “rules and resources, recursively implicated in the reproduction of social systems. Structure exists only as memory traces, the organic basis of human knowledgeability, and as instantiated in action” (Giddens, 1984, p.377). Rule refers to any principle/routine that can guide the individual's activity. Resource is related to anything else that facilitates activities. It is composed of material (e.g. budget, tools); non-material (e.g. knowledge, traditions) items (McPhee, Poole and Iverson, 2014). In this thesis, an example of structures will be represented by control systems which include (signification, legitimization and domination) through which government and public service providers interact. It is important to understand the control systems and how they negatively or positively interact with the agents, both government and public service provider. Giddens (1976) stated that structures exist outside both time and space, and explains that this means that “they cannot be treated as the situated doings of concrete subjects, which they both serve to constitute and are constituted by; not, of course, that they have no internal history or evolution” (p.128). Hence, every entity or collective comprises interaction systems which are interpreted as structures; however, the existence of a system is contingent upon reproduced modes of structuration (Giddens, 1976).

4.3.2 Action/agency

According to Giddens, “action is a continuous flow of lived-through experience” (1976, p.74). In seeking to clarify his theory, Giddens defined agency or action as “the stream of actual or completed causal interventions of corporeal beings in the ongoing process of events-in-the world” (Giddens, 1976, p. 75). Furthermore, “human beings act purposively and knowledgeably but

without being able either to foresee or to control the consequences of what they do" (Giddens, 1984, pp. 217–218). In *Central Problems in Social Theory* (Giddens, 1979), Giddens emphasized that unintended consequences of action are substantial for the social theory because they are embedded in the reproduction process of institutions. The intentional or unintentional consequences of what an agent does are events that will not happen if the agent acts differently:

"To study the structuration of a social system is to study the ways in which that system, via the application of generative rules and resources, and in the context of unintended outcomes, is produced and reproduced in interaction" (Giddens, 1979, p. 66).

Giddens also emphasized that every human being is a knowledgeable agent. He defined knowledgeability as "everything which actors know (believe) about the circumstances of their action and that of others, drawn upon in the production and reproduction of that action, including tacit as well as discursively available knowledge" (1984, p.375). It can be said that knowledgeability is a person's awareness regarding different situations. Similarly, each person has a rationale behind his or her action. Giddens clarified that the rationalization of action is "the capability competent actors have of 'keeping in touch' with the grounds of what they do, as they do it, such that if asked by other, they can supply reasons for their activities" (Giddens, p. 376).

According to Sewell (1992), agency is different in scope, both within and between social aspects. Structures enable agents because the latter have knowledge of the schemas which allow them to know social life and have access to some measurement of both human and non-human resources. Sewell denoted also that the existence of structures implies that the agency exists, and that agency is rooted in every human being, in which contains desire, intention and creativity. Nevertheless, human beings are raised with only a highly generalized agency capability, similar to their language skills. Sewell finally described agency as both collective and individual. As previously mentioned, in the present study, the agents are defined as the government and public-service providers. It will

be investigated what role they both play in the contracting-out implementation stage and how they interact with each other as well as the control systems currently in place.

4.3.3 The duality of structure

One of the most important and difficult issues in social theory is the study of the relationship between agency and structure (Pozzebon and Pinsonneault, 2005). Giddens considered the duality of structure as a fundamental factor of ST. The concept of duality of structure is involved in the concept of structuration in which agency and structure are viewed as mutually constitutive. Giddens's main focus was on the rules and resources that constitute the structure. He defined the notion of duality of structure as "the medium and outcome of the conduct it recursively organizes; the structural properties of social systems do not exist outside of action but are chronically implicated in its production and reproduction" (Giddens, 1984, p. 374). He meant that action is constrained or enabled by rules and resources. "The production of interaction has three fundamental elements: its constitution as 'meaningful', its constitution as a moral order, and its constitution as the operation of relations of power" (Giddens, 1976, p. 104). In this thesis, the duality of structure will encompass the interaction in the production and reproduction of rules and resources in the control systems put in place to monitor contracted-out services. This thesis will also explore how government and public service providers relate to the control systems. This highlights the iterative effect of agency on structure and, in turn, of structure on agents during such controls.

According to Giddens (1976), the reason behind the notion of duality of structure is that structures not only constrain agencies but also enable them. Notably, Giddens also mentioned that, inside any group, it is common for a contradiction to exist. He referred to contradiction as the "opposition of structural principles, such that each depends upon the other and yet negates the other; perverse consequences associated with such circumstances" (1984, p.373). This meant that actors do not accept or work against the structure they are in. This thesis will explore how agents (within

government and public-service providers) behave or interact within the control systems. In contracted-out public services, if a contradiction occurs, it might affect the way in which the service is managed or controlled. As such, it will influence the quality of the service negatively.

It should be clarified that there has been an attempt to build upon ST by Stones (2005) and developed the ST, namely, strong ST. Stones's perspective that his work is an attempt to add new conceptual categories to the Giddens's theory to strengthen the theory. This, in his view, will make the theoretical framework empirically applicable. Stones formulated the quadripartite cycle of structuration in which he divided the concept of duality of structure into four elements involving external structures as conditions of actions; internal structures within the agent; active agency and outcomes (Stones, 2005).

External structures are autonomous from the agent and form the unacknowledged conditions of action which is the base on unintended consequences of action. Internal structures split into two components including conjuncturally specific internal structures, which is related to the role/position in which various rules and normative expectations are embedded within it; and general-dispositional structures, which agents draw in naturally 'without thinking'. Active agency is related to the way in which the agent draws upon internal structures. Outcomes refer to the results of active agency (Stones, 2005).

Stones's work focused specifically on developing the duality of structure and endeavored to develop the theory by separating the structure into two parts. However, the current thesis concentrates on the general framework of ST. This thesis assumes that the control systems put in place cannot be so clearly and neatly divided into internal and external structures; as a consequence, Strong ST is not suitable for this work. It should be noted that Englund and Gerdin (2011) criticized dividing the structures into two separated forms (internal and external) as such conceptualizations is conflicted with the way in which the duality perspective is perceived. Moreover, Feeney and Pierce (2016) mentioned that "Stones's model has itself been criticized for

its lack of emphasis on the interaction between structures and how this interaction is implicated in their ultimate modification" (p. 1168).

4.4 CRITIQUE OF STRUCTURATION THEORY

Since it emerged, ST has been criticized by various authors. One major issue with Giddens's method to constructing theory, as mentioned by Turner (1986), lied in the quality of its definitions. Giddens has given us, in many ways, merely a set of concepts connected by inaccurate text and diagrams. He believed that his theory is concerned hugely with his own architecture and is an ongoing attempt to finish the great conceptual edifice by introducing yet another set of distinctions and challenges. Most of the problems appear to derive from Giddens's rejection of positivism and quest for eternal and universal rules about the social universe's invariant properties. According to Callinicos (1985), Giddens's preference for a philosophical affirmation of the willingness of subjects to resist, rather than historically analyze, the variable conditions of action is reflective of his privileging of the pole of agency as opposed to that of structure in structural theory. Bertilsson (1984) also questioned Giddens's own concept of agency which, when clarified in his social analysis, includes all of the elements of oppression and exploitation that he morally opposes elsewhere. Bertilsson added that, in Giddens's writing, namely in his research on 'double hermeneutics' (Giddens, 1976, p.162), the same confusion between moral condemnation and empirical confirmation can be discerned as yet another 'station'.

McLennan (1984) commented upon the concept of 'duality of structure'. The term 'structural duality' is itself somewhat misleading, as Giddens simply focused on the duality of structure and organization. This concept is essentially the cornerstone of ST and, in general terms, can be construed relatively straightforwardly as a dialectical interpretation of synchrony and diachrony, constraint and enabling. Cohen (1986) emphasized that it should be evident the theoretical aspect of ST is both extensive in nature and leaves an extremely broad latitude open for historical contingency, because it avoids the methods by which systemic coherence could be accomplished.

The theoretical components of ST do not provide any explanatory propositions relating to the theory of substance or background itself, which places a heavy burden on the construction of concrete theory. An obvious gap in Giddens's writing, claimed Gregson (1987), is his lack of success with regard to developing such fragmentary comments on the relationship between theoretical and empirical work in the social sciences and the possible links between his own theory of structuring and empirical research. Gregson concluded that Giddens's theory suffers from a specification deficiency.

Livesay (1989) criticized Giddens's writing by stating that he offers a multiplicity of formulations of unrecognized conditions of action which is, to put it mildly, confusing. Livesay added that there are possible interpretations of unrecognized conditions of behavior, including: the non-discursive strata of consciousness of generative systemic rules; the political aspects of human-informed boundaries; the systemic properties of social systems in reproducing behavior that may not be open to reflection; and the situationality or conceptuality of behavior under the conditions of co-presence and regionalization of time-space. An important challenge facing Giddens and other theorists of structuration is how to clarify the relationships that exist between these definitions of the unrecognized conditions of practice, in the interests of greater theoretical consistency.

Mouzelis (1989) argued that the notion of subject/object dualism, which is not considered seriously by ST, is as important as the concept of duality for an understanding of how actors relate to rules and resources, as a virtual order, as well as to sets of interactions in time and place. Mouzelis (1989) concluded that ST fails to obtain one of its primary objectives, which is to provide a balanced synthesis between micro-oriented sociological interpretative and macro-structural traditions; its exclusive reliance on the notion of duality consistently benefits the former, to the detriment of the latter. It inevitably leads to the neglect and differential contribution of hierarchically organized collective actors in the reproduction and transformation of social systems. In a similar vein, Baber (1991) conceded that, despite the attempts of Giddens to transcend the dualist structure/agency,

he is only partially successful, perhaps partly because of his ambitious attempt to present a great theory of the nature of human social activity. Giddens's writing fails to distinguish between various possibilities under varying time-space sets. The attempt by Giddens to provide an ontology of behavior is futile, because such an approach is fundamentally wrong. Any effort to provide a general account of behavior that will apply historical conditions to a diverse range is unlikely to prove successful. Similarly, Archer (1996) argued that the concept "duality of structure" has conflated the structure and agency. She criticized Giddens's notion that the structure is an outcome of the action of agents and mentioned that the structure of social systems is pre-existent the individuals. She also added that the actions of agents have no ontological priority over the fact that individual agents themselves are prior to subsequent structural elaboration.

Although ST has attracted several criticisms, it provides a valuable tool of analysis for the present study. This study, indeed, aims to reach a better understanding of the relationship between control systems and agents (government and public service providers), which is also the main concern of this theory. In this context, the actions and behaviors of both government and public-service providers might change depending on different factors, such as the control systems put in place or the contract or their overall relationship characteristics. Additionally, ST assumes that the structure of social systems may enable or constrain the actions of individuals. In the current study, this assumption can be applied in which the control systems currently in place might enable or constrain the actions of both government and public-service providers. The concept of duality of structure that the theory introduced can be applied in this thesis as far as the relationship between government and public service providers is concerned, as this is day-to-day interaction, i.e., reiteration relationships. The theory will be also useful to operationalize the characteristics (and interactions) of such relationships.

Although some scholars such as Pozzebon and Pinsonneault (2005), stated that Giddens's theory is complicated, containing definitions and general propositions functioning at a high degree of

abstraction and not easily combined with a particular research methodology and difficult to be empirically applied, it is worth mentioning that ST has been used in an array of studies, as well as being recommended for use, particularly in accounting literature. This will be shown in the following section.

4.5 STRUCTURATION THEORY IN THE ACCOUNTING LITERATURE

Since its advent, Giddens's theory has been widely used in accounting studies, particularly in management accounting. Macintosh and Scapens (1990), for instance, recommend using ST in accounting research. Giddens's theory is a powerful instrument for the study and adjustment of management accounting practices (Englund and Gerdin, 2016). For example, ST can be used to study the relationship between the roles of agents, budget and social structure. By applying this theory, researchers are able to identify the main areas where further research would be worthwhile to examine budgeting processes (Kilfoyle and Richardson, 2011). Roberts and Scapens (1985) used ST to recognize how accountability systems operate in organizations. The researchers claimed that accounting practices can be seen through the lenses of ST. For example, costs, profits and return on investments represent the structure of signification; rights and obligations represent the structure of legitimization; and the regular information flows, which accounting systems facilitate, represent the structure of domination. Therefore, ST is a potential method for understanding accounting in the organizational context.

A study by Roberts (1990) relied on ST to clarify the process of accountability. The author contended that accounting practices contribute to the structure of meaning that is relied upon to interact of the significance of organizational events in daily reporting practices. Simultaneously, these activities enforce and implement specific rights, obligations and power relations, drawing on and thus assisting the reproduction of the wider legitimization and domination structures. Roberts (1990) took a conglomerate company as a case to show how accounting and strategy within the

organization provide successful outcomes in terms of accountability. In a similar vein, Yang (2012) argued that Giddens's theory helps us to understand the recursive relationship between human agency and accountability structure. The researcher considered that the accountability can be seen as a structural property of the governance system, in which it is produced and reproduced through the actions of the agents engaged in the system. He concluded that ST would deliver an overarching framework for directing our accountability analysis and translating unanswered core questions through literature.

In examining the usefulness of ST, Roberts (2014) suggested that more attention should be paid to the manner in which accounting actors engage in the human agency that Giddens wanted to keep at the forefront. Macintosh and Scapens (1991) claimed that Giddens's theory helps us to understand that accounting systems provide interpretive schemes that impact on the system of control through the discursive activities of the organization. Accounting systems also give legitimacy to the social mechanisms through which some managers are accountable to others.

It is very important to recognize how some terms that are associated with ST have been defined by accounting scholars. Scapens and Macintosh (1996) defined 'structurists' as those who seek to separate out the structure of social systems, and who pay little or no consideration to individuals' intentional actions and interactions. They denied the apparent superficial explanations of why and how actors conduct themselves in social settings, implying that agents are social dupes who are simply pushed along by 'objective' social structures. The authors added that accounting structurists' objective is to separate the structure which runs the organization and affects the interactions and social actions of the agents.

Different accounting scholars have different understandings and interpretations regarding ST. Boland (1996), for example, showed that there is a huge difference among scholars in recognizing how individuals in a social system have a preferred share of knowledge (which is indicated by Giddens as interpretive schemes), implying that these individuals share common significances and

values. In their review of the use of ST in accounting literature, Englund and Gerdin (2008) found that there is a conceptual disparity among accounting scholars regarding ST terms. Therefore, the authors recommend that there should be a clear identification and use of mediating principles of ST in future management accounting research, to prevent further conceptual differences from arising.

Scheytt, Soin and Metz (2003) studied the notion of control based on ST. They argue that control practices can be viewed through structuration dimensions (signification, domination and legitimization) and that the actors in a social context must always address the semantic, moral and power aspects. They revealed that control is linked to how it is viewed, as an inherent cultural practice, which varies in each local context and is constituted by educational, socializing and coercion procedures.

The use of ST was also reviewed by Busco (2009), who aimed to highlight the influence of Giddens's theory in the management accounting field. Busco (2009) claimed that management accounting enables decision makers to understand their organization's operations, and helps them to interact meaningfully with those activities. Consequently, the systems of management accounting are an interpretative scheme that mediates between the structure of significance and social interaction in the context of manager-to-manager contact. The systems of management accounting are involved in the reproduction of values, and are a means through which the structure of legitimization is drawn upon in the social interaction of organizations. Finally, Busco (2009) claimed that the systems of management accounting are seen as socially constructed instruments that can be used both ways in the exercise of power.

In their review of ST in management accounting, Englund and Gerdin (2014) criticized the way in which accounting scholars use ST in their research. The authors identify four main limitations in accounting studies regarding ST use in future research. Firstly, accounting scholars have not really established a structurationist view of accounting practices as a group. Secondly, accounting scholars

are still not criticizing ST. Thirdly, scholars in accounting have not established adequate common knowledge of how to view ST as a theory. Fourthly, the full potential of ST has still not been investigated by accounting researchers. Finally, accounting scholars have insufficiently addressed how ST should be applied to empirical accounting analysis.

Parker and Chung (2018) selected ST to explain the process of a management accounting system within the hotel industry. The researchers revealed that all of the dimensions of Giddens's theory (signification, legitimization, domination) are at work in the social and environmental values, attitudes and actions of the management and staff in the hotel context in Singapore.

Dillard, Rogers and Yuthas (2011) illustrated how cultural characteristics change over time. They justified how ST can be used in a constructive way to communicate and appreciate changes within organizations. They took Enron Corporation as an example to evaluate these changes, and concluded that the culture of Enron Corporation, transferred from individuals and the ethical environment, expresses the characteristics and attitudes connected with operating in a regulated industry and is reflective of an organization competing in, and indeed creating, an unregulated market-driven industry.

With reference to ST, Ahrens and Chapman (2002) studied how accounting information affects the practices of organizational management. The authors built on ST to understand accounting systems and day-to-day transactions. Their analysis revealed that accounting activities are reported through social interaction, which draws on abstract, often formal, aspects, such as budgetary authorization, bonus payment rules or multiple financial performance targets, expressed as ratios and cash numbers, for different hierarchical levels and organizational sub-units — which make up structures of time and space.

Similar to accounting information, the changes within management accounting systems have been investigated by Busco and Scapens (2011), who built on Giddens's theory to explain how and why organizational culture and management accounting systems develop over time and space. They

declared that accounting practices are powerful instruments that assist the decision makers within organizations to control the process of change.

Englund, Gerdin and Burns (2011) also presented a comprehensive review of the use of ST in accounting and tested the major limitations and achievements of this theory in an accounting context. The researchers concluded that ST has considerably contributed to the accounting field and will add more insights into wider accounting studies. However, because the theory has been used to examine similar issues in accounting, this makes it difficult to determine any clear and distinctive empirical influence that ST has on accounting literature. The researchers suggested utilizing the theory to examine a day-to-day process of structuration and how accounting is involved in organizational life's (re)production.

In investigating the implementation of a new accounting system by an organization, Krishnan, Mistry and Narayanan (2012) used ST as a framework to understand the processes of change within the organization. They concluded that adapting a new accounting system is consistent with the principles of ST; it provides a solid framework for grasping how accounting systems change over time.

Conrad (2014) noted that ST has added much to accounting research over the past few years. However, to date, accounting researchers who use ST have tended to focus their study mainly on significance, legitimization and dominance structures, instead of on agents. In the present study, all parts of the theory will be given equal attention, looking both at agents (government or service provider) and control systems.

More recently, ST was used by Englund, Gerdin and Burns (2017) to investigate the interaction between strategy and accounting in daily organizational processes. They revealed that the strategy of a firm becomes something that is performed by the firm instead of something it has; therefore, it has become a form of social practice. Thus, strategy and accounting are constituted by what agents within organization do in their day-to-day activities.

As discussed above, ST has been used in accounting literature, particularly in management accounting. This study contributes to the extant accounting literature in three main ways. First, it will bridge the gaps in the previous accounting studies, which have not really investigated the control and monitoring of contracted-out services during the implementation stage. Second, it will apply ST, which has never been used to examine the contracting-out of public services. It will look at the relationship between the control systems and the agents (government and public-service providers) during the implementation stage of contracting-out; as previous studies overlooked the importance of this aspect. Third, this study will adopt a less-developed country (Saudi Arabia) as a case study, since developing countries tend to have been neglected in prior literature.

4.6 SUMMARY AND DEVELOPMENT OF THEORETICAL MODEL

Applying ST to this study will help in gaining a comprehensive understanding of how the three pillars (control systems, government and public service providers) play a significant role in the contracting-out process. The concepts of Giddens's theory will be used to explore how the control and monitoring of contracted-out services is managed and governed. Additionally, ST will clarify how rules and resources in relation to contracting-out control are produced or reproduced; and how the control systems enable or constrain the way in which the contracted-out service is managed and monitored. As shown above, a considerable amount of accounting literature has been inspired by ST, a theory which has helped with understanding and analyzing accounting within an organizational context. These studies indicate that ST has contributed significantly to the accounting field, with some of this literature suggesting the use of ST in more theoretical accounting perspectives.

Although there has been some criticism to ST since its advent, it has still contributed to an array of studies. Other theories, such as TCE and agency theory, which have explored the contracting-out of public services, are not capable to explain relationships and interactions between structures in place and agents. Using ST, the work will try to answer the following three research questions:

- 1) How are control systems associated with the behavior of government and public-service providers during the implementation stage of contracting-out?
- 2) To what extent do the control systems enable or constrain the ability of public-service providers?
- 3) How are characteristics of the relationship between government and public-service providers associated with the way in which the service is monitored and controlled?

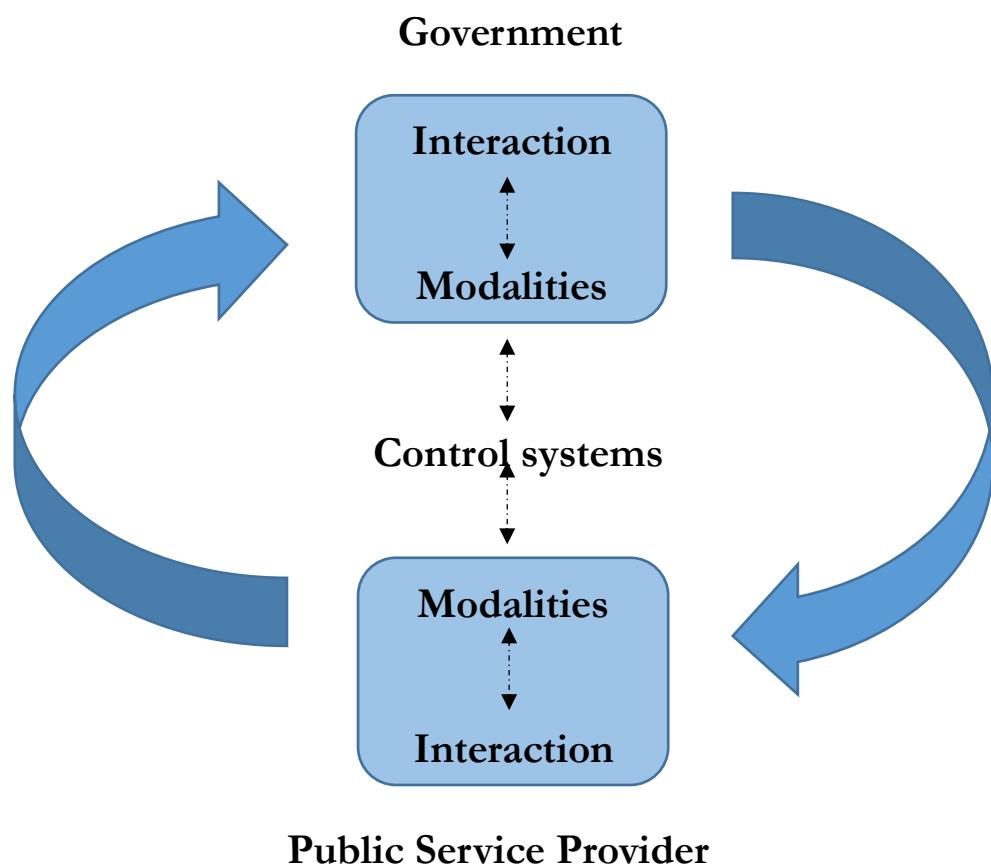
The above research questions are framed through the lens of ST in order to be able to obtain a better understanding about the interplay among controls, government and public-service providers.

Figure 4.2 proposes an original systematization of the iterative process for which government and public-service providers interact during the contracting-out implementation stage. Both agents (government and public service provider) use rules and resources as essential aspects for enabling or constraining the control systems of contracting-out. Giddens (1979) referred to this complex interrelation between the structure and the agency as the ‘duality of structure’. This is a day-to-day process that takes place when the government and public-service providers interact with each other through the systems put in place to manage and monitor contracting-out. It is important to clarify that both agents interact within control systems where the latter involve (signification, legitimization, domination). These dimensions of control systems contribute to understand how the control systems work during contracting-out process. Both agents use interaction aspects (communication-power-sanction). Each interaction will be exercised through modalities. Signification relates to how the contracting-out controls are interpreted. The agents communicate through interpretative schemes that represent their understanding of their roles and shared meanings in the context of contracted-out public services. Domination is related to what means and resources are used by government and public-service providers to accomplish the control of contracting-out. Each agent assumes and exercises power through their own resources, which enable them to exercise such power. For instance, governments are viewed to have more power than the public-service providers because they control and fund the service. Legitimation indicates the perceived right conduct

during contracting-out of public service. i.e. the legitimated behavior that both agents expect. This includes the rules and routines that are followed by government and public-service providers during the contracting-out process. Sanctions are mediated through norms (agents' rights and obligations). For example, government could deduct amount of money because public service provider is not compliant in providing the service properly.

By exploring the interaction between agents and control systems, this research will provide a more comprehensive insights into the way in which the contracted services are managed and monitored.

Figure 4.2: Systematization model of the iterative process between control systems and agents (government and public-service providers).



The following chapter discusses in detail the methodology used in the study and the processes of data collection and analysis.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 INTRODUCTION

According to Smith (2020), accounting researchers should pay great attention to problem-solving, to investigating relationships, and to building a knowledge base. With this in mind, exploring the relationships among agents, such as government and public-service providers, can help us to gain a better understanding of such agents' interactions with one another, which in turn assists in identifying the difficulties of controlling a public service. As mentioned in prior chapters, the main concern of this study is to explore the relationship between government and public-service providers during the implementation stage of contracting-out. Walker (1997) pointed out that many researchers face difficulties in choosing a suitable methodology²¹ to investigate their research questions; therefore, it is essential to select the most appropriate methodology in order to obtain the necessary information for this study. Reviewing and understanding the philosophical research framework, as well as understanding the topics of research philosophy, research approaches, and research design and methodology, can help the researcher become familiar with the vital concepts of research. A mismatch between the research methodology and research problem may result in spurious findings, which eventually have a negative effect on the research as well as the researcher's professionalism (Holden and Lynch, 2004). A key objective of this chapter is to discuss what steps were taken to adopt the most appropriate methodology in order to answer the following three research questions:

- 1) How are control systems associated with the behavior of government and public-service providers during the implementation stage of contracting-out?

²¹ "A methodology refers to the principles of reasoning we use in making choices about research design" (Silverman, 2017, p. 138).

- 2) To what extent do the control systems enable or constrain the ability of public-service providers?
- 3) How are characteristics of the relationship between government and public-service providers associated with the way in which the service is monitored and controlled?

The first section of this chapter presents the objective of the research, after which it provides an overview of the research philosophy, including the researcher's stance. The third section describes the main types of research approaches and the thoughts of the researcher. The fourth section explores different research designs and methodologies, as well as the stance of the researcher. The rationale for deciding to conduct the study in the context of Saudi Arabia, and clarification of the case studies' selection process is provided in the fifth section. The sixth section presents the strategy of data collection followed by the use of interviews. The selection of interviewees is discussed in the eighth section. Thereafter, data management and analysis are discussed, after which some of the ethical considerations regarding data collection are presented. Finally, a summary of the chapter is included.

5.2 THE RESEARCH OBJECTIVE

It is important for the researcher to set a clear goal for his/her research. This, in fact, is one of the first steps in any research project's journey, and everything that comes afterward will depend on the goal of the research. As presented by Saunders, Lewis, and Thornhill (2009), there are three main types of research objectives: exploratory, descriptive, and explanatory. Firstly, an exploratory study refers to one which seeks and discovers new insights, as well as asks questions and evaluates phenomena in a new light. Secondly, a descriptive study aims to describe a phenomenon so as to have a clear picture of it. Finally, an explanatory study concerns itself with identifying the relationship between variables. Saunders, Lewis, and Thornhill (2009) also pointed out that it is possible to have more than one research objective.

The main objective of the present work is exploratory, as this study aims to shed light on the relationship between government and public-service providers and control of public services.

Prior to identifying the research methodology for the current study, it is necessary to review the philosophical framework. The following section discusses different branches of research philosophy assumptions.

5.3 THE PHILOSOPHY OF RESEARCH

The main objective of any research is to find answers to the research questions, or to solve specific problems and convert the answers into findings which can contribute to better decision-making (Lapan, Quartaroli, and Riemer, 2012). Essentially, there are four main philosophical assumptions that support management science methods: ontology, epistemology, axiology, and methodology. Ontology deals with matters relating to existence, i.e., the nature of reality. It tends to concern different objects; namely, causal relationships, real measurable objects, or conceptual structures. In contrast, epistemology is concerned with the various ways of obtaining knowledge and how knowledge is created in the world. For instance, it focuses on forms of representation (equations and diagrams), the necessity of information (quantities and measurements), and sources of information (participants and groups). Axiology refers to the recognition of various values, i.e., how values guide people's actions. Lastly, methodology as a practice acknowledges that there are different methods that guide real actions (Mingers, 2003). With this said, however, it is also true that different researchers have different interpretations of these terms. As described by Hammond and Wellington (2013), ontology is defined as the state of being and existence, epistemology is related to what we believe and understand of the world, axiology refers to the study of values and beliefs, and lastly, methodology is defined as the study of methods, designs, and procedures which are used in research. Therefore, reviewing such philosophical assumptions enables the researcher to adopt the most suitable position for his/her research.

An ontological research framework consists of two main paradigms; objectivism and constructionism. Schwandt (2015) described objectivism as a philosophy that is viewed as “an independently existing world of objective reality that has a determinate nature that can be discovered” (p. 217). The second branch of ontological philosophy is constructionism, which concentrates on the processes of social relations and the interaction between people; it is also known as “Social Constructionism” (Schwandt, 2015, p. 37). Furthermore, as presented by Bryman (2016), there are three main paradigms of epistemological frameworks: positivism, interpretivism, and realism. Positivism is a type of research philosophy that applies the methods of natural sciences to social reality studies. Flick (2015) defined positivism as a philosophy of quantitative study, motivated by the concept of translating natural science principles into social sciences. The second paradigm is interpretivism, an alternative paradigm to the positivist doctrine; it is based on a view which differentiates between people and objects, with which social scientists are required to understand the subjective meaning of social action (Bryman, 2016). It views social research as a way to reveal the meaning behind social practices (Hammond and Wellington, 2013). The last paradigm is realism, which is a philosophy that views reality as being based on objective descriptions which exist separately from our viewpoints or understanding (Bryman, 2016).

Navigating the different ontology and epistemology options, the current research, based on ST variable, aims to explore the actions of both government and public-service providers from a constructivist perspective. Such a perspective assumes that the nature of both parties’ actions depends on the situation and relevant control systems. In this sense, their behaviors might change as situations and control systems change. Drawing on ST, the present research assumes that reality is constructed by the actors, and thus changes depending on their views and experiences. By adopting this philosophy, the current research strives to explore how both government and public-service providers interact with each other, as well as how they interact with the control systems set in place. Regarding its epistemological background, this research stands for interpretative philosophy and assumes that relationships are subjective and relative to the actors’ understandings.

By employing ST, this thesis explores and interprets the views and roles of government and public-service providers. By using this philosophy, the research can explore how the actions and behaviors of both agents are shaped by different factors, such as control systems. Moreover, this research assumes, from an axiological perspective, that actors within both bodies are influenced by their norms and values, which might in turn influence their interactions with one another. This philosophy, which is consistent with ST, allows for better understanding the interaction of key actors during contracting-out implementation stage. The current study considers that, although different methods could be used to conduct the research (such as direct observations), interviews are a notably effective approach, in part as they are less time-consuming than observations - which, in any case, come with their own limitations, such as the immediate difficulty to gaining access to organizations and attending meetings that are held between government and public-service providers. Significantly, this thesis faced some methodological challenges during the period of COVID-19 pandemic. For instance, the arrangement of interviews was significantly delayed due to the pandemic.

The following section explains how the current research follows elements of deductive approach.

5.4 RESEARCH APPROACH

Research approaches are divided into two main approaches: deductive and inductive. Hyde (2000) defined the deductive approach as a theory-testing method that begins with an existing theory or generalization and attempts to decide whether the theory applies to particular cases. In other words, it “seeks to draw a valid conclusion from initial premises” (Hammond and Wellington, 2013, p. 40). It is more closely linked to quantitative research (Bryman, 2016). In contrast, the inductive approach is mainly a method of hypothesis building; it starts with observations of particular instances, and attempts to generalize the phenomenon under investigation (Hyde, 2000). This type of research is mostly linked to qualitative research (Bryman, 2016).

The current thesis employs a deductive approach. It started with ST as a theoretical lens to read the world and analyze the collected data. In addition, the thesis also allows for additional variables to emerge during the data collection stage, which may contribute to the theory's development and allow for the theorization on the topic of research. This approach assists in exploring how the main actors within public entities and public-service providers play a role in the process of controlling the contracted-out public services. The deductive approach includes the employment of an existing theory, the set of concepts of which are consistent with this research purpose. More importantly, ST has never been used to explore such a relationship in the context of contracting-out. Therefore, this thesis will attempt to better understand this relationship by adopting a deductive approach, which will ultimately assist in the development of greater control and monitoring of contracted-out public services.

Having justified the selection of the research approach, the following section presents an explanation of quantitative and qualitative strategies.

5.5 RESEARCH DESIGN AND METHODOLOGY

There are two main research strategies: quantitative and qualitative. Selecting the appropriate research strategy depends on the type of research question. Various research areas usually employ specific research strategies to achieve their goals (Marczyk, DeMatteo, and Festinger, 2005).

A quantitative strategy focuses on calculating amounts or quantities. It is most suited to investigating phenomena which can be represented quantitatively (Kothari, 2004), and involves different research methods such as questionnaires, experiments, and surveys (Hammond and Wellington, 2013). There are several advantages to using a quantitative strategy, including the fact that results can be evaluated easily, and that carrying out this strategy is less consuming. The quantitative strategy is useful to test a theory or hypothesis (Johnson and Onwuegbuzie, 2004). It uses questions which begin with “what is...?” or “what are...?” in efforts to quantify one or more variables found within the answers. It is also used to identify and compare the relationships

between variables (Onwuegbuzie and Leech, 2006). Thus, a quantitative strategy is an appropriate choice when looking, for instance, to measure numerical data such as age, income, and production quantities (Kothari, 2004). However, there are also disadvantages, such as the fact that it does not incorporate human perceptions and values, and it necessitates the collection of large amounts of data to give more credible and reliable results (Choy, 2014).

In contrast, a qualitative strategy is employed when investigating a qualitative phenomenon that is related to, or affects, a phenomenon's consistency or nature, as with studying the causes of human behavior (Kothari, 2004). It involves unique research methods, such as interviews, observations, and the use of focus groups (Hammond and Wellington, 2013). In addition, qualitative research is commonly used in a variety of forms of studies, such as ethnographic studies, which are concerned with the study of people and culture (Denscombe, 2010), and case studies, which provide a snapshot of precise factors in real circumstances; the accumulative effect allows readers to understand ideas more clearly, as opposed to what can be understood from abstract theories or principles (Cohen, Manion, and Morrison, 2005). The use of qualitative strategies has many advantages, such as helping to understand the values, beliefs, and behavior of actors, and allowing for the exploration of broad issues. It is also the most suitable strategy to employ when looking to answer questions starting with “what” and “how” (Silverman, 2017). However, it carries disadvantages, as from a practical perspective it is time-consuming, and there are oftentimes only limited ways to generalize outcomes (Flick, 2015). Furthermore, specific, and even rare skills are required to conduct certain forms of qualitative methods, such as interviews (Choy, 2014). An interviewer must follow precise principles, and must hold a unique set of skills; for instance, interviews must form relevant questions, and be able to pose such questions clearly; they must probe for additional information when appropriate, listen carefully to the responses, distinguish descriptive questions from judgmental and interpretative questions, be present during the interviews and not be distracted, and finally, be able to make transitions to guide the interviewees

during the interview (Patton, 2015). However, preparing a well-organized interview guide entails more time and efforts in order to obtain better information from participants.

This study adopts a qualitative strategy in the form of comparative case studies. Generally, there are two types of case studies: single and multiple (comparative) cases. Case study evidence can be derived from different sources, such as documents, interviews, and observations. These are used to obtain comprehensive and meaningful information about real events (Yin, 2009). This study attempts to obtain an in-depth understanding of the interaction between government and public-service providers using comparative case studies to provide a greater richness of data and better defined theorization. The use of such case studies is also consistent with the objective of this research, as it is an exploratory study. Multiple case studies can also lead to powerful analytical conclusions (Yin, 2009). The use of case studies is also in line with the ontological and epistemological perspectives employed in this research. Baxter and Jack (2008) contended that selecting multiple case studies enables the researcher to obtain different perspectives within and between cases. This, in turn, enables the in-depth description and explanation of the research problem. Conversely, a quantitative strategy would not be suitable for this type of research, as it would not provide a clear picture and in-depth understanding of how humans interact or behave.

However, case studies have attracted several criticisms because the results derived from them cannot be generalized. Despite the fact that case studies offer in-depth understanding of the issues being researched, they are not suitable to draw conclusions about one person and generalize the findings to other people or situations (Myers, 1997; Walsham, 2006). Due to the researcher's effect on data collecting and analysis (Darke et al., 1998), case studies have also been criticized for being inaccurate (Yin, 2009).

5.6 IDENTIFICATION OF THE CASES

In this section, the rationale for choosing to focus on Saudi Arabia, and specifically on two specific public services (public transportation and elderly care) and two cities (Riyadh and Dammam), is

discussed and justified. In addition, the research strategy employed for data collection and the selection of samples, as well as the interview questions used, is presented.

5.6.1 Selection of the country under analysis

The country that has been selected as the case under study is the Kingdom of Saudi Arabia. One of the most important motivations for this thesis is that, as notable from examining previous studies (see Chapter Three), most of the research in this field has focused on developed countries, whereas less developed countries have been neglected. Therefore, this choice of country is an attempt to fill the gap left by prior studies. This may prove to be significant for future studies, as comparisons can then be made between developed and less developed countries. Although Saudi Arabia has contracted-out most of its public service provision, it still experiences difficulties in controlling the contracted-out public services, which, in some cases, has resulted in poor quality of services (Mandeli, 2017). Today, Saudi Arabia is planning and even implementing huge reforms with regards to economics, society, entertainment, and the public sector, amongst others (Moshashai, Leber, and Savage, 2018). These reforms are part of a project called “Vision 2030”. For this purpose, this represents an interesting context of study, with which this study may identify the key functioning issues within the area under analysis; studying how contracted-out public services are controlled could furthermore add more value to the reform of the public sector. More importantly, given that Saudi Arabia has adopted a number of elements of NPM, such as privatization and contracting-out (see Chapter Two), it will be useful to explore how the latter is controlled. Accordingly, the focus of the study is on the central government, its local offices which are relevant to this research, and the nation’s public-service providers. This focus is because these levels of government have allocated, in Saudi Arabia, a large budget to the contracted-out public services.

The next sub-section discusses and justifies the selection of public services investigated in this study.

5.6.2 Identification of two public services as case studies

The current study explores two essential public services in detail; namely, public transportation, and elderly care in Saudi Arabia. Criterion sampling was used to identify the two case studies of public services in this research (Patton, 2015). Criterion sampling refers to the selection of all cases that meet some criteria of importance (Patton, 2015). The criterion for selecting these services was that the services vary uniquely in their measurability. Public transportation is considered to be easier to measure and monitor (Johansson and Siverbo, 2018), and, in the context under analysis, it is provided by a company that has been established by the government (i.e., the government owns most of the shares in said company). On the contrary, elderly care is considered as being difficult to measure and monitor (Isaksson, Blomqvist, and Winblad, 2018), and, in the analyzed case, it is provided by privately-owned companies. Therefore, by choosing different public services, the researcher will be able to make a comparative case study analysis, which will assist in uncovering various potential patterns and scenarios with regards to the control of these services. Due to the divergence in measurability, it would be expected that the more easily measured services (public transportation) would be controlled through evident standards set by government - whereas those more difficult to measure (elderly care) would have to be controlled through informal meetings and via trust between government and public-service providers. The selection of these services provides the opportunity to look more closely into how the relationship between government and public-service providers could be related to the control of contracted-out public services, as well as the opportunity to explore the nuances of managing the selected services. This information can then be used to compare and contrast between the two public services, which are different both in nature and in characteristics. In this study, the two identified public services will be investigated in two different cities; hence, a total of four comparative case studies will be explored.

5.6.3 Identification of the two cities

In an attempt to identify the sites for the cases under analysis, the current thesis adopted criterion sampling to guide the selection of the examined cities. The case studies explored are in the cities of Riyadh and Dammam. The grounds for selecting these two cities were that they are Saudi Arabia's two largest cities, both in terms of population and size. In addition, Riyadh is located in the center of Saudi Arabia, and is the nation's capital city, whereas Dammam is located on the eastern coast. This variety may be helpful for determining whether the demographic factors could influence the behavior and understanding of actors within the government and public-service providers, which may, as a result, affect the way in which the services are monitored and controlled.

5.7 STRATEGY OF DATA COLLECTION

The current study has used two types of data sources; primary and secondary. Primary data are data that are collected for the first time and are therefore authentic. For example, primary data can be collected through questionnaires, interviews, and observation. This thesis has mainly employed a qualitative approach, and interviews have been used as a primary form of data collection. Using this approach helps to obtain an in-depth understanding of how individuals working within government and public-service providers view control systems. In this sense, interviews are a fundamental source of case study information (Yin, 2009), and are valuable when it is difficult to directly observe participants (Creswell and Creswell, 2018). Moreover, it permits for face-to-face conversations with interviewees, and thereby for the exploration of their understandings of and perceptions about contracting-out control process. Interviews furthermore provide the opportunity to probe for information, and to ask for more detailed explanations from interviewees (Denscombe, 2010).

Tracy (2013) pointed out that respondents provide rational explanations and justifications for their behaviors and actions during interviews. Thus, this method facilitates the exploration of how people act during the contracting-out control process. Despite interviews being time-consuming,

they allow for the opportunity to ask varied types of questions to gain a deeper understanding of the particular types of relationships during the contracting-out implementation stage. Moreover, the interview method is compatible with the sociological theory that this study applies, as this theory concerns the ways in which people interact with one another, as well as with the structure of the relevant social systems.

As mentioned earlier, a number of alternative options for data collection were considered, such as direct observation; however, seeing as government is the focus of this research, the researcher's presence during observations may be viewed as intrusive (Creswell and Creswell, 2018), and the individuals under observation might feel cautious and act differently as a result (Yin, 2009). Another possible option for data collection would be the use of focus groups or group discussions. However, such methods would entail considerable practical difficulties in coordinating meetings for participants (Flick, 2015), and it is difficult to record and transcribe verbal data from such groups (Denscombe, 2010). For this purpose, conducting interviews was found to be the most suitable approach for the current research.

Interview questions can be framed in three different ways: structured, semi-structured, and unstructured (Bruce, 2010). Structured interviews use a list of questions that are prepared in advance, and questions are asked in the same order each time. This type of interview is beneficial for making comparisons and contrasts between large samples (Tracy, 2013). Moreover, it ensures that all interviewees are asked the same questions in the same way (Bruce, 2010). Unstructured interviews are mostly used during observations, and when researchers have a general idea of the topic they wish to investigate and ask different questions depending on the interviewee (Bruce, 2010). Semi-structured interviews also make use of a list of questions, however the interviewer is able to ask both close-ended and open-ended questions (Bruce, 2010).

Furthermore, there are different types of interviews. These include ethnographic interviews, which are informal and more spontaneous. This type of interview often sounds as if it had been an

informal exchange of remarks. The other type of interview is informant interviews, which are conducted with more experienced interviewees, often with the goal of providing or relaying important information which others do not have. Another common type of interview is respondent interviews, which are conducted between people who have a similar subject position as well as related experience, and are carried out to achieve research objectives. Narrative interviews are also a common type of interview, which include open-ended questions and are often more unstructured, thereby allowing the interviewees to tell a story rather than to strictly answer questions. Lastly, there are episodic interviews, which focus on allowing the interviewee to present his/her general experience within a specific area while simultaneously narrating relevant situations and episodes (Tracy, 2013; Flick, 2015).

The current study adopts semi-structured narrative interviews. These two techniques are more flexible, and motivate interviewees to talk about their experiences and to express their thoughts about contracting-out and its control systems. This suits the current study well, and as such the researcher asked open-ended questions, as opposed to close-ended questions (e.g., yes-no questions). In addition, these two techniques are compatible with the exploratory nature of this research, and allow any new or emerging information or issues to be explored. As argued by Magnusson and Marecek (2015), although the interviewer conducts an interview based on a specified order, they should not necessarily adhere to the order with every participant. If the discussion flow implies another series of topics, then it is possible for the interviewer to adopt a semi-structured technique.

Tracy (2013) grouped interview questions into three main categories. The first is generative questions, which include asking for descriptive knowledge, examples, thoughts, and behaviors regarding specific situations. It also includes compare-and-contrast questions, as well as asking interviewees for their predictions of future outcomes (which in turn highlights unique aspects of their opinions). The second category is directive questions, which contains close-ended questions

that are similar to survey questions, and asks interviewees to choose from available answers. It also includes typology questions, which involve asking interviewees to put their information into different types or categories, as well as elicitation questions, which use pictures or video to prompt and elicit discussions. The third and final category is closing questions, which include catching questions, which provide opportunities to interviewees to add comments of information which may not have been addressed.

In this thesis, several of the above interview categories were used. For example, generative interview questions enabled the participants to express their perceptions and understandings towards oversight processes during the contracting-out public services. In this context, Magnusson and Marecek (2015) argued that it is crucial for interviewers to spend time preparing interview questions, assessing language options, polishing word-choice, and reviewing the guidelines of interviews, as this in sum can lead to the delivery of better interviews. Considering these points, the thesis will discuss the specific interview questions in Section 5.8.

Finally, the thesis also draws on secondary data. Secondary data are data that have previously been collected by an individual, and have already been through the statistical process. For instance, such data could be written materials, such as published documents, books, and reports, which regard original data. Secondary data could also be unpublished documents, such as those available from within public or private organizations (Kothari, 2004). It can also present itself in the form of visual materials such as videos and pictures (Denscombe, 2010). This study has collected official documents to support and triangulate the interview findings.

In this context, the study has adopted a methodological triangulation technique, which refers to the use of two or more separate sources of data collection methods to ensure research credibility and to allow for the corroboration of research results within a study (Saunders, Lewis, and Thornhill, 2009). Therefore, reviewing relevant documents helps with triangulating and corroborating interviewees' answers. Additionally, the review of documents assists in

understanding the interaction between government and public-service providers, and in identifying how such documents are used during contracting-out. Reviewing documents also helps to reconstruct the story surrounding the changes and implementation of the control systems. Patton (2015) mentioned that relevant documents can provide the researcher with unobservable information, and allows one to develop awareness of events that occurred prior to the conduction of the study. Furthermore, as argued by Bowen (2009), analyzing the content of the documents is less time-consuming, and therefore more efficient, than other research methods. In this study, the documents explored are contracts, monitoring and evaluation reports, key performance indicators (KPIs), and the Government Tender and Procurements Law and its implementation regulations that shape government and public-service providers' roles in Saudi Arabia. A total of eight documents were collected with a collective sum of over 350 pages. Both government and public-service providers possess copies of these documents, and access to this information can be gained upon request. It is undoubtedly beneficial to examine these documents in order to determine how the government uses them as a mode of controlling (or communicating with) the contracted-out public services. For example, reviewing monitoring reports may provide insight into how government and public-service providers interact with each other. These types of documents may shed light on the monitoring process and can complement the primary source of data used in this study; namely, interviews. Therefore, adopting both data collection methods (interviews and documents) increases the reliability²² of the study and helps to explore different perspectives surrounding the contracting-out oversight process. Furthermore, the documents selected were useful in alerting the researcher of certain questions which needed to be asked (Bowen, 2009); this way, the analysis of the documents revealed important new areas requiring examination. It should also be noted that the researcher asked to see minutes of meetings (or any other correspondence) from both the government and public-service providers. Nevertheless, it was impossible to obtain

²² "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, cited in Silverman, 2017, p. 400).

them as interviewees explained that they were part of confidential documentation, and were thus preferred not to be shared with outsiders.

5.8 THE USE OF INTERVIEWS

The interview questions were divided into two versions: one version for government actors (see **Appendix 1**), and the other for public-service providers (see **Appendix 2**). In general, the interview guides ranged from 8 to 12 questions depending on the public or private domain contexts. ST was used to frame all interview questions (information regarding the operationalization of theory is provided in the next sub-section). The interview questions suggested within the guides were mainly narrative, and covered sets of topics, including the relationships between central and local governments and public-service providers. They also covered the monitoring and control systems that both government and public-service providers implemented during the contracting-out stage. The two alternate versions of question guides were developed due to the divergence of responsibilities between both government and public-service providers.

The first version of the interview guide was split to adapt to four groups: firstly, NPM and contracting-out champions. This first sub-version of the interview guide included eight questions, and focused mainly on relevant public reforms, and how the interviewee perceived contracting-out as a common practice in the public sector. Interviewees were asked to provide examples and were encouraged to talk more. The individuals in central government who supported NPM ideas and contracting-out practices were asked questions about contracting-out as a means to reform. For example, they were asked: “What are your opinions on contracting-out practices?” and “How would you define/describe them?”.

For the second sub-version of the interview guide, designed for managers of the GCA, 11 questions were asked. Interviewees were encouraged to speak freely, and were asked to provide examples. The questions concentrated on the control systems that are currently in place to control public entities (those who contracted-out public services), and the Court’s relationships with said entities.

They were also asked questions on how they implement control tools to control public-service providers as well as public entities. For instance: “What are the main control and monitoring systems currently in place to control public entities/public-service providers? How do you use them?”.

The third sub-version, designed for managers in central offices in public transport and elderly care, as well as finance/control offices and accountants, included 11 questions. Interviewees were asked to provide examples and were given room to talk freely. The interview guide focused on monitoring and control systems, and the interviewee’s communications with local offices and public-service providers. With reference to public transportation service, the managers in the central government were asked questions regarding their interactions or communication with public-service providers. For example, they were asked: “How often do you communicate with the public-service provider and who is involved in this process?” and “can you provide examples?” In terms of elderly care service, managers in the central offices, finance/control managers, and accountants were asked questions of, for instance, “How did you decide or choose the control tools to implement? Could you provide some examples?”

The fourth and final sub-version pertained to managers in local central government offices in public transportation and elderly care sectors, and included 12 questions. Interviewees were encouraged to give examples and were once again given room to talk freely. The interview guide also concentrated on control systems and the challenges managers faced in controlling services. It should be clarified that the mentioned interview guides were adjusted to a slight extent to the context of the sector. The managers for each local central government office in each identified city were asked questions on the behavior of public-service providers. For example: “how should a good public-service provider look like? How should they behave?”.

The second version of the interview guide was prepared, as previously mentioned, for the public-service providers. It consisted of 10 questions, and covered the topics of the monitoring and

control systems, and how the public-service providers would normally communicate with the government. Interviewees were also given the opportunity to speak freely, and were encouraged to provide examples. In relation to transport service providers, the interview in each local city included questions regarding what reaction the interviewee might expect from the providers as a whole when a problem arises. For instance, “How did they deal with a difficult situation in which there was a misunderstanding with government, or the service was not adequately provided? Does the company suffer any penalties if the contract is breached? If so, how do these penalties operate?” As for elderly care service providers, the interviews for each local city included questions regarding the relationship between government and public-service provider. For instance, “How would they describe your relationship with the government? Could you provide some examples? Could you give examples of where the relationship has worked particularly well, and why?”.

It should be noted that the data collection process took place between October 1st and December 18th, 2020. Due to Saudi official quarantine regulations, the researcher travelled to the country earlier than planned due to the COVID-19 epidemic. Nonetheless, while conducting the interviews, the researcher used facial protection and maintained social distancing, as recommended by the World Health Organization (WHO). The pandemic also hampered the availability of the interviewees as some of them were working from home. To overcome this as best as possible, the researcher contacted the interviewees well in advance to ensure that the interviews would be arranged at a time that would be suitable for the interviewees.

5.8.1 Operationalization of theoretical concepts through interview guides

The interview questions were formulated in such a way so as to be consistent with ST. To this end, each question was framed to cover at least one variable proposed by the theory.

The operationalization of the theoretical concept is shown in **Table 5.1** below. It defines and explains all the variables that are related to ST, including signification, interpretive schemes, communication, legitimization, norms, sanctions, domination, facilities, and power. The table also

includes the previously discussed control systems variables, which are formal control, informal control, result control, input control, and behavior control. Furthermore, the table also provides quotes from interviewees' answers, to show how the context related to the identified variables.

To explore the signification variable of ST, specific questions were asked. For example, "What are your opinions on contracting-out practices? How would you define or describe them?". These questions investigated the contracting-out and illuminated how NPM champions viewed the importance of contracting-out practices. They also helped in identifying which areas of the contracting-out public service may need to be changed, and how these senior managers perceived such changes. Another example would be of questions such as: "What are the main control and monitoring systems currently in place to control public entities or public-service providers? How are they used?". Questions such as these were designed to scout out certain variables of ST, such as power, facility, and domination (Giddens, 1976). This allowed for the obtaining of a better understanding of how control mechanisms operate, and to what extend they impact services. In addition, these questions enabled the assessment of the level of power by public entities over contracted-out public services (e.g., strong/weak power). During interaction between government and public service provider, the former is considered to have strong power when they have greater control over the service and the provider, whereas less access to control systems is categorized as a weak power.

There are also some questions that covered both the communication and power variables of Giddens's theory. For example, interviewees were asked: "How often do you communicate with public-service providers, and who is involved in this process?" Can you provide examples?". These questions permitted the identification of the form in which governments communicate with the public-service providers; i.e., formal or informal communication (Ditillo et al., 2015). Furthermore, the questions helped to explore another ST variable, which is power.

Another type of questions, designed to cover the norm and power variables of ST, were phrased as, for example: "How did you decide upon or choose the control tools implemented? Could you provide some examples?". Furthermore, to address the communication and legitimization variables of ST, it was asked: "How often do local government employees communicate with the central office, and how are these communications operated?" This helped to identify the type (formal/informal) of communication (Giddens, 1976) used by local governments when interacting with central government.

Interviewees were asked: "How might a good public-service provider look like? How should they behave?". These sorts of questions allowed for ST's norm variable (Giddens, 1976) to be covered. The question attempted to identify what characteristics in a public-service provider is essential to governments; what do governments look for? Interviewees were also asked questions such as: "Have you ever experienced challenges or issues when dealing with public-service providers? What was your reaction to these difficulties? Could you provide some examples?" These types of questions covered the interpretative scheme variable (e.g., bureaucratic interpretative scheme which is related to the use of formal rules, policies, and procedures) of Giddens's theory. They allowed for the exploration of how local government actors think during challenges.

Public-service providers were asked, for instance: "How did you deal with a difficult situation in which there was a misunderstanding with government, or services were not adequately provided? Does the company suffer any penalties if the contract is breached? If so, how do these penalties operate?" These questions assisted in the investigation of both the legitimization and sanction variables of ST. They also enhanced the conceptualization of how government and public-service providers deal with each other during different scenarios of misunderstandings. The questions also helped to assess the level to which the legitimization variable of ST was consistent with, for example, the norms variable during such situations.

Furthermore, other questions to public-service providers covered the signification variable of ST. For instance: "How would you describe your relationship with the government? Could you provide some examples? Could you give examples of moments when the relationship worked particularly well, and why?" These questions enabled the understanding of how public-service providers perceived their own relationship with governments, and identified potential factors that might affect such relation.

Table 5.1. Operationalization of theoretical concept in the interviews

No	Dimension of Structuration	Variables	Definitions (from literature)	How it is operationalized Clues/Index	Examples of quotations/(sub)coding
1	Structures	Signification	It relates to meaning and understanding, which constitutes conception (Giddens, 1979).	What is their understanding of contracted-out public services or control systems?	“The public-service provider needs to clearly understand what the government wants from contracting with him, and should hire those who assist him in providing the public service” (Interviewee 2 - public transport - local office).
2		Domination	It relates to resource authorization /allocation, and produces power; it originates from the control of resources. (Giddens, 1979).	Who dominates whom? Who exercises power/control over resources?	“When we receive a payment request for the public-service provider from the operation department, we review it and make sure it is completed. However, if it is incomplete, we send the payment request to where it came from; then, they will need to complete the payment request for the public-service provider and then send it back to us” (Interviewee 4 - public transport - local office).
3		Legitimation	It relates to normative legitimization and produces moral order via societal norms, values, and standards (Giddens, 1984).	What is legitimate during contracting-out? [based on societal environments]? The level of legitimacy is assessed through consistency with norms, values, rights, and obligations.	“Each payment request for the public-service provider needs to be attached to some specific documents; they can be named as evidence documents” (Interviewee 6 - elderly care - central office).
4	Modes of Mediation	Interpretive Schemes	[Cognitive means] “Standardized elements of stocks of knowledge, applied by actors in the production of interaction” [People’s mindsets and culture] (Giddens, 1979, p.83).	How they think? What is their approach to the service/ control systems? How they see the service or control systems? E.g., bureaucratic, law-oriented, managerial, open-minded.	“As an accountant, I make sure that the public-service provider complies with the contract terms, and the financial payment is accurately recorded” (Bureaucratic) (Interviewee 4 - public transport - local office).
5		Facilities	Resources; e.g., technology systems or documents.	By what means do they facilitate power?	“We are using performance evaluation forms to monitor the performance of the public-service provider” (Interviewee 4 - elderly care - central office).
6		Norms	It includes “the actualization of rights and enactment of obligations” (Giddens 1979, p.86).	What are the norms that regulate the contracting-out relationship? E.g., standards, values, rights, and obligations.	“We use contracts to specify the conditions for the public service” (Interviewee 3 - elderly care - local office).
7		Communication	Verbal or written interaction [Formal/Informal].	How they communicate (oral/written) during contracting-out? Formal or informal?	“We usually send our official letters to the public-service provider's mailbox” (Formal communication) (Interviewee 5 - elderly care - central office).

8	Agency	Power	It is related to control over allocative resources or materials and people (Giddens, 1979), and the ability to influence outcomes (Markus and Pfeffer, 1983).	How do they hold control over resources? What makes an agent more powerful than another? E.g., more knowledgeable or fund-owned.	“The undersecretary has informed us to stop the payments for the public-service provider until they respond to us” (Strong power) (Interviewee 6-elderly care-central office).
9		Sanctions	Penalties and punishments.	What types of sanctions are applied? To whom, and for what reasons? Are they actually used?	“For example, when we find that the percentage of the work is not good, we apply the penalties based on the report that we received from the control department” (Interviewee 3 - elderly care - central office) (Sanctions and formal control).
10	Control Systems	Formal control	It comprises of contractual obligations and formal organizational systems, for which cooperation can be divided into outcome and behavior control mechanisms (Ouchi, 1979).	What sort of formal controls do government and public-service providers relying on [Written rules, regulation]?	“The contract is the most important tool to control the service” (Interviewee 6 - public transport - local office).
11		Informal Control	It refers to social control and relational governance; it relates to informal cultures and systems influencing members, and is essentially based on mechanisms, such as self-regulation (Ouchi, 1979).	Is there any informal control method applied during the contracting-out implementation stage [Unwritten policies including trust-based and norms]?	“We have regular meetings with the public-service provider and we discuss the comments that have been recorded on their performance” (Interviewee 5 - public transport - local office).
12		Result/ Output Control	It specifies and measures results to be achieved without interfering in the way that results are obtained (Dekker and Van den Abbeele, 2010).	What criteria are used to control the results of contracts [e.g., performance evaluation reports]?	“By the end of the contract, we make an overall report for the performance of the public-service provider since official regulatory asks for it” (Interviewee 4 - public transport - local office) (Result control and legitimization).
13		Input Control	It includes social control and control of expenditure budgets (e.g., control of human and financial resources) (Rockness and Shields, 1984).	Is there any input control that government exercises during contracting-out?	“Sometimes, some of social care houses ask for additional staff from the public-service provider, which results in increasing the contract costs. When we review the request, it turns out that some of them have asked for more than they actually need” (Interviewee 6 - elderly care - central office).
14		Action/ Behavior Control	It specifies how partners should act and monitor whether actual behavior is in accordance with the pre-specified behavior (Dekker, 2004).	How government measures and specifies the desirable behaviour / procedures / processes of the public-service providers during the contracting-out implementation stage?	“We use KPIs to observe and measure the performance of the public-service provider” (Interviewee 3 - public transport - local office).

5.9 SELECTION OF INTERVIEWEES

In an endeavor to answer the research questions, the current study used both criterion and snowball sampling to select interviewees who work in key departments within the government and public-service provider agents. Snowball sampling involves identifying cases of interest by asking participants to recommend other suitable participants (Patton, 2015). The use of criterion sampling aligns with the scope and objective of this study, as the current research seeks to interview those who are directly involved in the contracting-out oversight process. Moreover, the reason for selecting through snowball sampling is that it can help the researcher to identify possible additional individuals who are engaged in the control of the contracting-out process, and who would therefore be beneficial to interview. Therefore, employing these two types of samplings allows for the opportunity to meet the most suitable persons who are responsible for monitoring and controlling the contracting-out process, which will result in a better understanding of how the process is controlled.

The topic of sample sizing is an oftentimes controversial one in qualitative studies. Justifying a sample size of interviewees is a challenging process (Marshall et al., 2013). Some authors have argued over when precisely does a researcher achieve saturation (Saunders et al., 2018; Mason, 2010). In this context, the saturation point of this study depends on the sufficient amount of collected information from relevant people. Patton (2015) stated that sample sizes should be determined based on what the researcher wants to know, the objective of the inquiry, what data will be useful, what information will have credibility, and what can be done with the available resources and time. To achieve an acceptable sample size, this study attempted to obtain information from individuals who are in charge of the controlling process of contracting-out, and who are directly involved in the interactions between government and public-service providers.

The current research employed a medium sample size, with 33 individuals having been interviewed, including senior managers, managers, and accountants. The researcher stopped conducting

interviews upon reaching theoretical saturation, or the point at which various interviewees repeated similar answers. This sample size has the advantage of going beyond very few people without the challenges associated with relentless data collection, particularly when there are time constraints (Baker and Edwards, 2012). As a result, using a medium-sized sample was the most suitable option, as it saved resources and ensured that there was sufficient time available to analyze the collected data. **Table 5.2** below displays the number of interviewees for this study. Interviews took place in the participants' offices, and lasted between 30 minutes and one hour.

Table 5.2: Selection of interviewees

Type of Agents/Actors	Number of Interviewees		Location
	Central Independent Bodies		
Central government leaders of NPM and outsourcing	6		
Managers in the General Court of Audit	2	Public Transportation	Elderly Care
Managers in central offices	2		Riyadh
Managers of finance/control offices in central offices	-		Riyadh
Accountants in central offices	-		Riyadh
Managers of local central government offices	7		Riyadh & Dammam
Accountants in local offices	2		Riyadh & Dammam
Public-service providers	2		Riyadh & Dammam
Total	33		

Six interviews were conducted with senior managers and managers from the central government who are leading NPM and contracting-out reforms in Saudi Arabia's central government. This included officials from the Ministry of Finance (MoF), the Ministry of Economy and Planning, (MEP), Shura Council, the Center of Spending Efficiency (CSE), and the National Center for Privatization and Public-Private Partnerships (NCP). The Saudi central government is located in

Riyadh. It was important to meet these policy decision makers, who stand as experts and are knowledgeable on public sector reforms; questions therefore could be posed to ask them on how contracting-out is viewed as part of said reforms. Although these interviewees were not involved in exactly the controlling process, interviewing them still helped to gain familiarity with their views on contracting-out practices. Additionally, two interviews were held with managers from the GCA. As parts of an independent oversight body outside of the immediate contracting control process, their perspectives were also essential towards understanding how financial and non-financial control over the public entities that contracted-out public services are established and achieved, as well as how they interact with said public entities. It should be clarified that both public transportation and elderly care services are under the control of the central government, which itself has both central and local offices. The TGA, for instance, is tasked by the Saudi government with the regulation of the public transportation service, whilst municipalities in cities are themselves in charge of controlling the transportation services (with an exception for Riyadh, where the Royal Commission for Riyadh City (RCRC) is responsible for monitoring the service). In terms of elderly care service, the MHRSD is responsible for overseeing and monitoring elderly care services, with assistance from its devolved local offices and social care houses (see Chapter Six).

With regards to public transportation services, two managers were interviewed, who are responsible for the delivery of the transport services in TGA. Their interviewing allowed for the collection of more extensive information regarding how managers in the central government view the contracting-out practices, and whether there are any ways to improve such practices. Furthermore, one manager was interviewed for each local central government office in each identified city for services related to transport. By interviewing these managers in Riyadh and Dammam, relevant information was obtained from those who are directly involved in the control of these services. In addition, three interviews were conducted with managers in the finance and control offices in the RCRC (those who are responsible for the financial aspects of contracting-out), whereas two interviews were held with managers from the control office in the Dammam municipality. These

managers explained how the financial and controlling processes operate. Ultimately, interviewing these managers shed light on how the financial and monitoring processes work. It was also important to investigate how ownership relations are operated. The government has the most shares in the nation's transport company; thus, it was beneficial to see how the government handles the ownership relationship. In addition to that, one accountant was interviewed both for the RCRC and the Dammam municipality. It was similarly of importance to conduct interviews with accountants who monitor and record financial payments for the public-service provider.

In terms of elderly care, a similar strategy was applied to selecting participants, according to which two interviews were conducted with managers in the MHRSD responsible for the delivery of elderly care services. In addition, two interviews took place with managers in central finance and control offices in the MHRSD. In addition to that, two interviews were conducted with accountants in the MHRSD. Furthermore, one manager was interviewed for each local central government office in each identified city (Riyadh and Dammam) for services related to elderly care. Finally, one manager each was interviewed for social care houses in the cities of Riyadh and Dammam. It was essential to interview these managers as they are directly involved in the day-to-day control of the relevant public-service providers.

To gain access to the public-service providers' perspective, as far as transport is concerned, one manager was interviewed for each identified city. The managers were identified through snowball sampling; i.e., by seeking recommendations from prior participants to discover other individuals in similar positions as original participants and who directly engage in contract oversight and interaction with the government. The interviews were conducted with individuals who are directly involved with communicating with the government and are responsible for managing the relevant service. The selection of individuals in each chosen city allowed the researcher to investigate from different perspectives how contracting-out is controlled. It was also beneficial to gain an understanding of how providers perceive the control process.

As far as elderly care is concerned, one manager from public-service providers was interviewed for each of the two cities (Riyadh and Dammam). Snowball sampling was also employed to identify relevant managers. The service providers in each selected city were chosen to gain insight into their views and roles in the contracting-out process. It should be mentioned that there is no relevant factor of government ownership in the case of elderly care services, and the service is entirely provided by the private sector. Both identified privately-owned companies that provide elderly care services in Riyadh and Dammam are joint-stock companies, with more than 40 years of history in providing the service.

It is worth mentioning that (as seen in **Table 5.2**) interviewees from Riyadh is more compared to Dammam. This is because the public sector in Saudi Arabia relies on a centralization of public entities whereby the central offices are located in Riyadh. From a public sector perspective, having two cities can help compare views from individuals who are close to decision makers in the capital city (Riyadh) to those who are away from decisions and work in a non-capital city (Dammam). This is another difference between the two selected cities which could result in different perspectives from interviewees.

5.10 DATA MANAGEMENT AND ANALYSIS

Qualitative data are multifaceted, plentiful in information, unstructured, and can sometimes be challenging, as they might provide the researcher with information outside of the scope of the research study (Ishak and Bakar, 2012). Therefore, it is essential to ensure that the collected data are manageable and structured correctly, so as to facilitate the next step, which is data analysis. In this study, interviews were recorded with an audio recorder, after which they were transcribed literally and prepared for analysis. Although it is time-consuming (Denscombe, 2010), the researcher transcribed the verbal data in order to gain a more detailed understanding of the collected data, and to later use in the early stages of data analysis (Braun and Clarke, 2006).

The software used for storing, organizing, and coding²³ the transcripts was NVivo 12. It is a program that analyses qualitative data and permits the researcher to import and code textual data; edit text; extract, evaluate, and recode data; search for word combinations in text or coding patterns in code; and import or export data to other quantitative analysis software (Bandara, 2006). The aim of using this text analysis instrument was to manage unorganized collected data obtained from interviews and documents. Additionally, software assists in querying for data and in reporting from collected data (Jackson and Bazeley, 2019).

After the transcribed data were uploaded to NVivo, they were read multiple times to be able to carefully identify possible codes for relevant segments of the interviews (see **Appendix 3**). It should be noted that the transcripts were sent to the interviewees for validation before coding. For coding and analysis purposes, the unit of analysis was identified as any self-explanatory argument expressed by managers and accountants, which covered at least one of the ST variables and one control systems variable. More individual sentences could be grouped together to make a single argument. Subsequently, the meaning of an argument was interpreted to identify possible codes. For example, sanctions (Giddens, 1976) refer to penalties and punishments. This variable is operationalized through identifying what type of sanctions is applied, as well as to whom, and for what reason. Interviewee 3 (elderly care - central office) denoted that “For example, when we find that the percentage of the work is not good, we apply the penalties based on the report that we received from the control department”.

The context and the answer are related to sanctions, in the form of financial penalties, which are employed by the government. The answer also illuminates us on the methods of formal control (Ouchi, 1979), as it is indicated that governments employ formal written rules to monitor the

²³ “Coding is the process of organizing the material into chunks or segments of text and assigning a word or phrase to the segment in order to develop a general sense of it” (Creswell and Creswell, 2018, p. 247).

performance of public-service providers during contracting-out. The variables reviewed and operationalized in section (5.8.1) were coded as shown in **Table 5.3** below.

The coding process (**Table 5.3**) was developed deductively based on ST (including signification, interpretative schemes, communication, legitimization, norms, sanctions, domination, facility, and power). Sub-codes were also identified from the main codes, as shown in the table above. Similarly, deductive coding was also used to code variables based on prior accounting literature. This involves formal control, informal control, action/behavior control, input control, and result control. An example of a single argument containing more than one code is:

“The public-service providers sometimes come to the financial department and ask for their payments, as we are responsible to verify the payment and make sure we record and pay the exact amount of money” (Interviewee 2 - public transport - local office).

This was coded as signification as well as informal communication, as it covers these specific variables from ST. The same text was also coded as informal control, as it involved unwritten policies based on social control from government.

In a similar vein, codes were assigned to each argument to indicate whether they cover single or multiple aspects or variables of ST or accounting control variables. For example:

“Sometimes, some of social care houses ask for additional staff from the public-service provider, which result in an increasing of contract costs. When we review the request, it turns out that some of them have asked for more than they actually need” (Interviewee 6 - elderly care - central office).

The above argument was coded as domination, legitimization, and power, as this text denoted that it is legitimate to ask central governments to change parts of contracts, as well as includes the central government dominating local offices because of its hierarchical position. It also includes exercising of strong power by the central government over the local office and the financial resources. This text was also coded as input control, as it showed that central governments constrain the input of human resources via contracts.

Furthermore, it should be also considered that some categories and relevant factors or variables were newly defined, and emerged inductively from the interviews themselves. See, for example, exploitation and critique (see **Table 5.3**). These variables were inductively coded. For instance:

“Public-service providers should not exploit the fact that sometimes the government is not focused on all parts of the service; therefore, [service providers] might not provide the service in a good way. This dishonest behavior is not acceptable, and when government finds out that the provider is not providing true information, this will result in a poor relationship” (Interviewee 4 - public transport - local office).

This text was coded as exploitation due to its open referral to exploitative behavior from a public-service provider. It also includes weak power because the government has less access to control all aspects of the service. Additionally, it indicated that governments might employ informal control, or in other words, a trust-based pattern of control over contracted-out public service projects; this trust might in turn be exploited by public-service providers.

In terms of the emergence of categories and themes²⁴, their identification is contingent on understanding the data. Fereday and Muir-Cochrane (2006) pointed out that thematic analysis is a recognition of patterns inside of data, in which the emerging themes become the analytical categories. In this study, for example, certain sub-codes for control systems, such as formal control, informal control, and input control, were grouped together under the category of “monitoring and control of the service.” These segments were identified from quotations from the participants, and were often overlapping with the ST variables of domination and power. After following these coding steps, the researcher was able to obtain a sensible overview of the content of each theme. Consequently, it was ensured that the revised themes and codes would cohesively and accurately support the overall analysis.

²⁴ "Themes are meaningful patterns in the data, which researchers use to interpret that data for an audience" (Morgan, 2018, p. 340).

Table 5.3: Themes, (sub)codes, and examples of quotation

Main Themes	Variables/Codes	Variables Specifications/ Sub-codes	Examples of quotations
Relationship between government and public- service providers	Communication	Formal communication	“We normally communicate with the branches [local offices] either by official letters or emails” (Interviewee 5 – elderly care – central office).
		Informal communication	“We have regular meetings with the public-service provider and an open dialog approach to issues and problems to ensure quick resolution” (Interviewee 4 – public transport – local office).
	Interpretative Scheme	Bureaucratic	“The relationship between the government and the public-service provider is based on contract, and conditions that are mentioned in the contract. Therefore, what the government is more caring about is complying with the contract” (Interviewee 2 - elderly care – central office).
		Law-oriented	“Nowadays, public transportation has been changed entirely; technology has changed. Therefore, the contract needs to be reframed completely. This can be done through intensive study to design better contracts that help to provide a better public transportation service” (Interviewee 6 – public transport - local office).
		Managerial	“We had an issue at the new industrial city where the private security company decided to stop the busses’ access to the location, and as so I was contacted by SAPTCO [Saudi Public Transport Company] to go with them to the location to resolve the issues. We spoke to the security company and together we were able to gain access for the bus routes again. This would not have happened if we had not had the good working relationship” (Interviewee 5 – public transport – local office).
		Open-minded	“It's better to focus on the essential and important things, and to make sure that there are no problems; in other word, to be ‘in the middle’” (Interviewee 2 – elderly care – local office).
		Risk Averse	“I think the essential public services such as prison-management and anything that is related to public security should be provided in-house, as it includes sensitive information” (Interviewee 3 – central government).
	Norms	Rights or Obligations	“The public-service provider was supposed to give us a report on the number of drivers, and if there are any issues, he should let us know all the information - such as, the shortage in the numbers of drivers, and whether there are any issues such as injuries - or any trouble - they should let us know immediately” (Interviewee 4 – public transport – local office).

		Standards	“While checking the documents of the public-service provider, we found out that some official certificates are expired and they need to be renewed” (Interviewee 4 – public transport - local office).
		Values	“The public-service provider should be treated as a partner because he is involved with the government to provide this service. He's not working by himself, he needs support to be there; and if both government and public-service providers work separately, this will not lead to any success for the public transportation sector” (Interviewee 1 – public transport – local office).
		Exploitation	“The public-service provider might take advantage of unclear articles within the contract, or unclear KPI's for evaluating his performance” (Interviewee 1 – public transport – central office).
Monitoring and control of the service	Control Systems	Action/behavior control	“We make sure about the health condition of elderly residents, and they receive a good level of treatment. If the elderly residents are not receiving the right level of treatment, we ask the public-service provider to refine and develop its service (Interviewee 5 – elderly care – central office).
		Central government control towards local government	“My role is mainly as a regulator more than an implementer; we set the mechanisms for elderly care service and make sure that it is implemented through social care houses” (Interviewee 5 – elderly care – central office).
		Central government control towards provider	“We are evaluating the public transportation service, and we have inspectors who monitor the public transportation service with municipalities” (Interviewee 2 - public transport - central office).
		Constrain	“The contract needs to be re-evaluated, for example, the penalties section includes very tough penalties in terms of personal care for the elderly care. I think this is one of the things that stops other public-service providers from competing for this tender” (Interviewee 1 – elderly care – central office).
		Formal control	“We have used the method of imposing a lot of penalties to make the public-service provider comply with the contract. This would lead the company to solve low-service issues radically” (Interviewee 6 – public transport – local office).
		Informal control	“We normally visit the social care houses only from time to time to check the overall service” (Interviewee 4 – elderly care – local office).
		Input control	“I check if the payment request for the public-service provider is accurately inserted in the internal financial system and Etihad platform” (Interviewee 4 – public transport – local office).
		Result control	“The most used tools of control are monitoring reports. These reports include percentages of the performance of the public-service provider, and he will be paid from

Perceptions towards service and control systems			financial department based on his percentage" (Interviewee 5 – elderly care – central office).
	Local government control toward provider		"Our mission is to supervise the contract, as we are the owners, as well as processing the payment for the public-service provider" (Interviewee 5 – public transport – local office).
	Enable		"We usually do training courses for the workers of public-service providers who directly deal with residents here. This has nothing to do with the contract, it's done as a voluntary effort from us" (Interviewee 4 – elderly care – local office).
	Domination		"The Ministry of Finance asked us to process all the disbursement orders through the Etimad platform, and it does not accept any paper-based disbursement orders" (Interviewee 3 – public transport – local office).
	Power	Strong power	"We have an electronic system that helps to report and provides us with accurate information about the service" (Interviewee 31 – public transport – local office).
		Weak power	"The used control-tools enable us to do the job, but we need more staff to be able to do our job in a good way (Interviewee 6 – public transport – local office).
	Sanction	Penalties	"We impose penalties on public-service providers once we notice that there is low service, or there is a problem, or they are not committing to the contract" (Interviewee 5 – public transport – local office).
	Facility		"Human control in the field is very important to control the public-service provider. Also, we adopt many modern technologies that help us in raising the efficiency and effectiveness of the control of the service" (Interviewee 2 -public transport – central office).
	Signification		"Public entities shouldn't be involved in these operation-levels of services. I think the main role of public entities is to supervise the implementation of these services (Interviewee 5 – central government).
	Critique		"We recognize that government tenders always end up with a higher price compared to something you buy for individual needs. I think the government created the type of behavior that we experience with public-service providers. It is an inherited practice, and it is so difficult to avoid" (Interviewee 5 – elderly care – central office).
	Legitimation		"In general, all contracts in Saudi Arabia are dependent on the public procurement and competition law" (Interviewee 4 – public transport – local office).

5.11 ETHICAL CONSIDERATIONS

Ethical issues arise when a researcher prepares his/her study, requests access to organizations and individuals, or collects, analyzes, and reports the collected data (Saunders, Lewis and Thornhill, 2009). In this context, a researcher should be vigilant at all stages of research and consider the potential ethical problems. Flick (2015) pointed out that participants in the research should be aware of the research itself; additionally, confidentiality and anonymity and data protection is necessary, and avoidance of any harm to participants is crucial. Therefore, the most common ethical problems were taken into consideration during the empirical data collection.

Before commencing the data collection stage, the researcher received approval from both the Ph.D. supervisor and the Saudi Arabian Cultural Bureau in London (the scholarship supervisor) to carry out the fieldwork. Additionally, the researcher also obtained a written permission from the two public entities (MHRSD and TGA) to conduct the interviews.

The current project includes the analysis of official documents and interviews with managers and accountants. Consequently, to ensure that the interviewees are aware of the study, they were provided with a consent form (Saunders, Lewis, and Thornhill, 2009) in order to participate in the study. This form articulated the nature of the study, as well as how the data would eventually be stored – it clarified that the information provided would only be used for the purposes of the study (**Appendix 4**). Furthermore, it was translated into Arabic for the interviewees, to ensure that they were fully informed about the objective of the research. Likewise, the researcher signed documents given by the government to ensure confidentiality and anonymity.

In terms of confidentiality and anonymity, data have been fully anonymized, and the interviewees were given the opportunity to view the transcripts and withdraw their consent for inclusion in the study at any time. The interviews focused on the implementation of accounting and control systems; no sensitive, personal, or biometrical information was collected. Any information gathered was stored anonymously and password protected on the researcher's computer. Interviewees were

assured that the main objective of this study was to explore how the relationship between the government and public-service providers during contracting-out is related to the ways in which these public services are controlled and monitored, which, as a goal, may ultimately benefit the government in its mission to monitor public-service providers. Moreover, interviewees were also assured that the research would not include any direct or indirect information that might inflict harm or present personal risk to them.

The interviews were conducted in the Arabic language, the official language of the country in which the case under analysis is located, and the researcher assumes the responsibility of accurately translating the interview questions from English to Arabic. A back-to-back translation was employed to ensure that the language of the interviews is validated. The rationale and aim behind the questions were not changed during the translation process. Thereafter, the information collected from the interviewees was objectively translated by the researcher from Arabic to English, and the latter was used to transcribe and analyze the data.

5.12 SUMMARY

To sum up, this chapter has discussed the methodology that the present study has employed. In this thesis, the qualitative strategy has been used in the form of comparative case studies. The four case studies that have been investigated are the two public services (public transportation and elderly care) in two identified cities in the Kingdom of Saudi Arabia (Riyadh and Dammam). To investigate these cases, interviews were used as a primary source of data collection, whereas documents were used as a secondary source of data collection. The triangulation of the two methods contributes to the achievement of the essential objective of this study, which is to explore the relationship between the government and public-service providers and the control systems set in place.

Unlike previous studies on contracting-out, the current study adopts ST to carry out the research, and the formulated questions covered all of the variables presented in the theory. Hence, all aspects

of the theory have been covered, and at the same time, a clear understanding of the topic under investigation has been obtained. In addition, conducting an exploratory study has generated better insights into the relationships between the main actors in the contracting-out process.

The interviewees were informed of the objective of the study and that their identities would remain anonymous. Confidentiality has been maintained both throughout the study, and after the fieldwork was conducted. Once the necessary information was collected, the researcher devoted sufficient time to manage and analyze the collected data. The use of NVivo ensured that the data was accurately and objectively stored and analyzed.

Having outlined the research methodology of this thesis, the following chapter will present the data analysis and findings from the selected services (public transportation and elderly care).

CHAPTER SIX

DATA ANALYSIS AND FINDINGS

6.1 INTRODUCTION

This chapter analyzes the findings of the semi-structured interviews and documents examined in the fieldwork portion of the study. The objective of this chapter is to address each of the three main research questions by analyzing the qualitative data. It offers various quotes from both interviewees (representing government actors and public service providers) and documents. Each of the participants' quotations is accompanied by brackets; information inside these brackets includes the level of government each interviewee represents, their position within their organization, and their designated number (1, 2, etc.) in order to differentiate them from one another. Additionally, every quote taken from an official document is accompanied by brackets containing the name of the document, its year of issuance/publishing, and the appropriate page number.

This chapter is structured as follows: the first section offers a general description of public transportation in Saudi Arabia, including an explanation of its structure and the ways in which it is controlled by public entities. The following section presents the results of the interviews on public transportation and relevant analysis. The following section offers a general description of the elderly care in Saudi Arabia, including an explanation of its structure and the ways in which it is controlled by public entities. The next section presents the results of the interviews on elderly care and relevant analysis. Finally, a conclusion of this chapter will be presented.

6.2 OVERVIEW OF THE PUBLIC TRANSPORTATION SERVICE

Defining the ways in which the public transportation service is structured and controlled in the Kingdom of Saudi Arabia is essential to understanding the analysis of these findings. As such, this section offers some general background on public transportation service in Saudi Arabia.

Public transportation in Saudi Arabia is subject to regulations and oversight from the central government in the form of the TGA, which was established by a decree from the Council of Ministers in October of 2012 (Alotaibi, 2017). The TGA has the authority, as granted by the Saudi central government, to legislate and regulate public transport services for passengers both within and between cities throughout the country. The TGA has a board of directors that is chaired by the Minister of Transport, who reports directly to the Minister's Council. The Authority's headquarters is in Riyadh, though it has the right to establish branches and offices in other cities as needed (Ministry of Transport, 2019). Currently, the TGA has three local offices; they are located in Riyadh, Dammam, and Jeddah. The regulatory framework of the TGA, as defined by the Council of Ministers' decree, allows it to be financially and administratively independent from the Ministry of Transport (Ministry of Transport, 2019). It is allocated its own annual budget for the development and maintenance of public transportation. The TGA provides necessary support to service providers to ensure the continuity of public transportation; this involves liaising with different public entities to minimize any difficulties that they may encounter. The TGA also sends inspectors to various public transport areas (e.g., bus stations) as a way of monitoring the quality of the services. As the TGA oversees public transport as a whole, it also conducts studies to identify public transport-related problems and develop different potential solutions (Ministry of Transport, 2019).

Notably, a review of the public transport contract in the city of Dammam showed that the TGA has final approval regarding any modifications to the scope of the responsibilities of public transport services in the city. It stipulated that:

“Dammam municipality, after gaining approval from the TGA, has the right to modify the scope of the service after signing the contract and based on actual needs. The public service provider should provide a quote that specifies in detail the cost of the added service” (Public Transport Contract in Dammam, 2018, p. 24).

This indicates that the TGA is the actual overseer of the services; the municipality is not independent and must request permission to make changes. This includes, as noted by some interviewees, changing or adding lanes.

At the local level, municipalities are assigned to the direct oversight of public transportation by the central government; Riyadh is the exception, where the Royal Commission for Riyadh City (RCRC) is responsible for the control of the service. Contracts with public transport providers are funded by the budgets of either the municipalities or the RCRC. The RCRC was established in 1974 by a Council of Ministers' decree with the goal of supervising and organizing the holistic development of Riyadh (RCRC, 2019); it is a public body with a board of directors headed by the Deputy Prime Minister. It is important to note that the RCRC is not organizationally linked to the TGA; they are entirely separate public regulatory bodies. There is a specific contract between the RCRC and the public transportation provider in Riyadh; as with any contract involving the central government, this contract must be consistent with the Public Competitions and Procurement Act and its implementation regulations. The contract between the RCRC and Riyadh's public transportation provider is more detailed than the franchise contract between the Minister of Transport and the Saudi Public Transport Company (SAPTCO). For example, it defined two persons (one from the RCRC and one from the company) as being responsible for all notifications, reports, and documents in written form and specified their names and addresses. The RCRC has also adopted the use of various control tools, both financial and financial and non-financial, during the contracted-out public transport service stage. The RCRC uses the contract (which included, for example, general definitions, the purpose of the contract, its duration, and its monetary value) as a cornerstone to establish the contractual relationship between itself and the provider. It also used

key performance indicators (KPIs) (see **Table 6.1**) and monitoring reports to formally manage the public service providers. Furthermore, regular meetings take place between control department officials at the RCRC and the public service providers, and site inspections are conducted by RCRC staff as an additional supervisory tactic. It should be noted that public transport providers are paid through the RCRC's financial department.

Table 6.1. KPIs used by local offices to monitor public transport service providers

No	Index	Definitions and penalties
1	Bus Breakdowns	Failure to substitute a backup bus for a broken-down one within 60 minutes. 600 SAR ²⁵ shall be deducted for every 60 minutes of delay.
2	Bus Cleanliness	In cases of insufficient services provided in terms of the cleanliness of buses and the validity of their use, 200 SAR shall be deducted.
3	Bus Air Conditioning	If the air conditioning on a bus is broken and a backup bus is not secured within 60 minutes, 600 SAR shall be deducted for every 60 minutes of delay.
4	Bus Destination Displays	Failure to display the origin, destination, and the number of the trip on the external screens of the buses will result in 200 SAR being deducted.
5	Drivers' Uniform	Employees failing to be in uniform will result in 200 SAR being deducted for each employee; the fine shall be doubled in cases of repeat violations by the same driver.
6	Staff Absenteeism – Full Shift	If a staff member is absent for one day and no backup is provided by the operator, 1000 SAR shall be deducted.
7	Staff Absenteeism – Short Term	In the event of interruption of the service due to the absence or delay of a staff member, 600 SAR shall be deducted for every 60 minutes of delay.
8	Ticket Collection	Non-compliance with the method of collecting tickets will result in 1000 SAR being deducted.
9	Start Time Adherence	A delay in commencing the service or ending the service ahead of schedule by no less than 10 and no more than 20 minutes will result in 1000 SAR being deducted. In cases of delays exceeding 20 minutes, 2000 SAR shall be deducted. The fine shall be doubled for each subsequent 20 minute period.
10	Bus Resources	In cases of failure to provide the required number of buses, each out-of-service bus shall be considered broken-down and 600 SAR shall be deducted for every 60 minutes of delay.
11	Headway – Service Punctuality	In cases of headway violations of more than 15 minutes, 400 SAR shall be deducted. In cases of headway violations of more than 25 minutes, 1000 SAR shall be deducted.

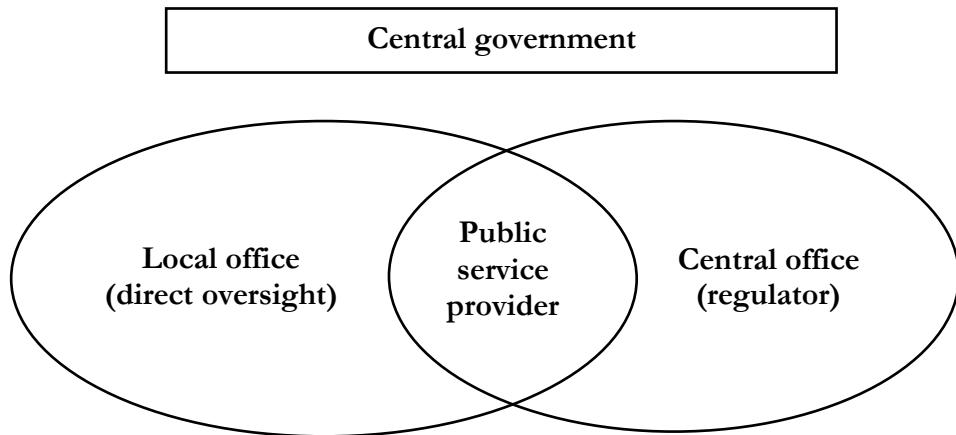
Source: Translated KPIs for public transport in Saudi Arabia (Contractual KPIs document, 2017).

²⁵ SAR - Saudi Arabian Riyal.

Municipalities in Saudi Arabia report to the MOMRA; its primary duties are to oversee and organize public services in cities, though there is no organizational link between municipalities and the TGA. The Saudi central government has recently decided to allow municipalities to sign independent contracts with public transport providers. Therefore, municipalities have become directly involved in both contractual and monitoring relationships with public service providers, though the TGA continues to have final say over both the selection of the public service providers and the general framework of the contracts. The Dammam municipality, like the RCRC, uses financial and non-financial control tools like contracts, identical KPIs (see **Table 6.1**), meetings with public service providers, regular and irregular site inspections, and evaluation reports. Additionally, the financial department of the Dammam municipality pays the public transportation providers. **Figure 6.1** shows the government monitoring structure of public transport services in Saudi Arabia.

In 1979, the Saudi central government established SAPTCO as a Saudi joint-stock company. Since then, the company was granted an exclusive contract to provide public transportation services both within and between Saudi cities by the central government; the contract was signed between the Minister of Transport and SAPTCO. It is important to note, however, that the contract was moved under the jurisdiction of the TGA after its creation. SAPTCO's board of directors is made up of nine members, four of whom represent the government; this number includes the chairman, who is appointed based on a recommendation from the Minister of Transport and approved by the Prime Minister (SAPTCO, 2020). In 1997, SAPTCO chose to maintain its contract with the government to provide public transportation services, even though the government had stopped subsidizing SAPTCO (Al-Atawi, 2005). In fact, SAPTCO recently signed several separate contracts with municipalities in various Saudi cities in order to continue providing public transportation services; to date, SAPTCO is the sole provider of public transportation services in Saudi Arabia (Al-Rashid et al. 2020).

Figure 6.1. Government monitoring structure of public transportation services in Saudi Arabia



Source: Author's elaboration.

6.3 PUBLIC TRANSPORTATION: INTERVIEW RESULTS AND ANALYSES

The analysis of interviews from Riyadh and Dammam showed that responses from the two cities were relatively aligned in terms of the control systems used (including input control, informal control, and action control) and the characteristic of the relationship between the government and the public service provider. These variables will be reviewed in greater detail later on. Formal control, for example, was coded 28 times in Riyadh and 27 times in Dammam while signification was coded 33 times in Riyadh and 35 times in Dammam. As the differences between the two cities were found to be minimal, the analyses of their results of the two cities were combined and are presented as such in the following pages. This similarity could be due to the cities' similar sizes as well as the fact that the Saudi government is centralized, meaning that the same rules are applied to different cities throughout the country.

Interviews were conducted as follows: six were with individuals from the central government, two with individuals from central offices, nine with local central offices, and two with individuals from the public service provider. It should be noted that the interviewees' backgrounds were mainly in accounting (six of 19) and engineering (nine of 19); the other four had different backgrounds,

though this did not seem to affect how they perceived control systems or relationships. Interestingly, nine of the 19 had previous private sector experience, which might implicitly affect how they interact with public service providers. For instance, they were seen to be more flexible and less likely to adhere to a contract verbatim. One manager from the local office stated:

“The contract is essential for the regulation of the service. We make sure that the provider is committed to the contract throughout the contract period, however, it might be disruptive to the service if [the contract] is strictly applied. For instance, if applying penalties for bus cleanliness ultimately further obstructs the service, then we need to find a balance between adhering to the contract and ensuring that the service is properly provided” (local office, manager 5).

It is important to note that all the interviewees were men, which could have affected the findings; additionally, most of the interviewees had between 11 and 20 years of tenure in the public sector at the time of their interviews.

The following sections focus on findings specifically related to the control systems used in public transportation, processual/relational dimensions (as illuminated by the use of ST), and patterns between control types and relational variables.

6.3.1 Control systems

Interviewees were asked to discuss the current control systems, their uses, and how the interviewees themselves interact with public service providers. According to the interviewees, several types of control are currently being used to monitor public service providers; the most frequently used type was input control, which received 26% of the mentions, while the least used type was result control, which received only 4% of the mentions (see **Table 6.2**). **Table 6.2** below shows the total number of times that each control type was referred to by a participant. Following the relevant literature (see Chapters Three and Four), contracts were defined as examples of formal control while KPIs were defined as examples of action control. Control of human and financial resources was considered to be an example of input control; meetings between central/local governments and providers were considered to be examples of informal control, and semi-annual/annual reports

were considered to be an example of result control. Totals were determined by counting the number of times that an interviewee mentioned a cue related to a given control category. For example, as shown in **Table 6.2**, result control has a count of 17, which means that it was stressed 17 times by interviewees.

In addition to control types, the role of control systems was also identified based on accounting literature, which includes the “enabling” and “constraining” features of controls as sub-categories (Mouritsen et al., 2001; Ahrens and Chapman, 2004). These two variables were coded any time the interviewee explained how control systems enabled or constrained their actions and/or the service.

Table 6.2. Overall frequency of control types and roles

No	Control types and roles	Total counts	Relative % of the total
1	Input control	110	26%
2	Formal control	104	25%
3	Informal control	89	21%
4	Action control	56	13%
5	Result control	17	4%
6	Enabling (role)	37	9%
7	Constraint (role)	6	2%
Total variable counts		419	100%

It is important to note that control types can be employed differently at different levels of government. As shown in **Table 6.3**, for example, input control was frequently used by the central government and central offices, but was used less often by local offices and providers. It should be clarified that, although input control represented 35% of the total variables for local offices, it was only mentioned four times by the nine local office interviewees. As such, all numbers and percentages here should be interpreted with caution.

Table 6.3. Total frequency of control types and roles according to the government level of the actors

Control types and roles	Central government (6 interviewees)		Central public transport office (2 interviewees)		Local public transport office (9 interviewees)		Public transport provider (2 interviewees)		Total percentage
	Total counts	(%)	Total counts	(%)	Total counts	(%)	Total counts	(%)	
Input control	50	45%	16	15%	39	35%	5	5%	100%
Formal control	31	30%	11	10%	55	53%	7	7%	100%
Informal control	11	12%	13	15%	54	61%	11	12%	100%
Action control	20	36%	6	11%	23	41%	7	12%	100%
Result control	6	35%	1	6%	9	53%	1	6%	100%
Enabling	15	41%	6	16%	12	32%	4	11%	100%
Constraint	1	17%	0	0%	4	66%	1	17%	100%

Input control was stressed mostly by the central government (45% of the mentions, see **Table 6.3**). A senior manager from the central government offered an example of input control used by the central government to monitor the allocation of public funds to public service providers. He stated that:

“The Etimad platform was launched by the MoF in 2018, and it gives us an enormous amount of information on public entities’ spending, including how much they spend on contracts, what contracts haven’t been signed, and their overall spending volume. It also provides us with periodic reports” (central government, senior manager 2).

This shows that input control occurs within the context of monitoring the amount of public funds that are spent on public service contracts. This method of control was used beyond the central government as well; local offices were also obliged to use the MoF’s Etimad platform. The use of two electronic financial management systems (Etimad and an internal local system) was criticized by a local manager; he highlighted the need for a more integrated financial and accounting system and commented:

“We are currently working on two different electronic financial systems, which is a bit confusing and time-consuming for our accountants. I think it would be better to work on one electronic financial system, as it would be more practical and save time and effort” (local office, manager 3).

The central office relied on input control by implementing a variety of procedures. A senior manager from the central office remarked:

“We [TGA] put and approve the operational plan for public transportation, design the public transportation contracts, and approve both the contracts and provider selections” (central office, senior manager 2).

Overall, having different patterns of input control according to government level could be attributed to the fact that, for example, the central government primarily focuses on ensuring the validity of financial and non-financial information inputs, which eventually result in generating reports that government depended on. Furthermore, the central office seemed to use input control to keep from selecting an unqualified provider, which could result in poor service and, therefore, the wasting of public funds. Conversely, interviewees from local offices tended to focus mostly on other control types (e.g., formal control and informal control) as part of their ongoing day-to-day oversight of the public service provider.

The second most frequently used type was formal control, which received 25% of the mentions (see **Table 6.2**). It was stressed by the central government in 30% of the arguments coded (see **Table 6.3**). A senior manager explained the role of the central government during the contracting-out of public services as follows:

“The central government is responsible for enacting regulations and issuing circulations related to contracting out, which guarantees better management of the service. Without proper formal regulations, public services are managed differently depending on the individuals working for the various public entities” (central government, senior manager 6).

One manager from the public transport provider denoted that:

“Our company is committed to obeying the rules and regulations issued by the government. I personally check the commitment to those regulations and make sure that we never break them” (public service provider, manager 1).

Formal control was stressed in only 10% of the mentions of the central office (see **Table 6.3**). However, some interviewees from the central office did mention contracts as a fundamental tool of formal control; one senior manager from the central office stated that:

“The basic reference for the service is the contract, and what is written in the contract should be applied” (central office, senior manager 1).

In terms of financial affairs, Article (8) of the public transport contract regulates payments to public service providers. It states that:

“The public service provider is paid on a monthly basis according to a payment statement prepared by the oversee contract department after evaluating the service provided” (Public Transport Contract in Riyadh, 2017, p. 17).

Article (8) also specifies the date of payment to the public service provider and the responsibilities of the control department regarding the preparation of monthly statements. In essence, the control department measures and records the cost of the service; the financial department then reviews the documents and actual costs prepared by the control department and pays the public service provider accordingly. This is a further example of formal control used by the local offices.

The control type that tended to be stressed more by the local offices (specifically local finance departments) was formal control; these interviewees indicated its use in 53% of the time an argument was coded. This may be because local offices are involved in immediate control over the provider, and therefore focus on the application of both the contracts and all relevant regulations. The finance departments of local offices tend to utilize formal control during the implementation of contracted-out public services by formally reviewing official documents (including contracts and monitoring reports) related to the service in question. An accountant from the financial department of a local office explained:

“It is assumed that there is not a direct relationship between our department and the public service providers because we are working on financial affairs; therefore, we shouldn’t have a relationship with any public service providers or any contracting companies in general. We make sure that the public service provider complies with the contract terms and that the financial payments are accurately recorded” (local office, accountant 1).

The above quote indicates that individuals who work in finance departments are expected to have no relationship of any kind with public service providers, as it might affect their objectivity. They therefore prefer to be outside the informal scope of contracting-out, independently conducting their daily accounting and financial tasks. However, this does not mean that there is no contact between finance departments and public service providers. The same interviewee continued:

“However, public service providers sometimes come to ask if their payments have been processed and if they need to attach any additional documents to their applications. We then let the provider know the stage that their payment request is at” (local office, accountant 1).

This implies that, although financial departments use the review of payment applications for public service providers as one of their main tools of formal control, there is also an informal relationship between the two entities; this can be seen in the informal way in which the local financial departments receive and answer inquiries from the providers.

The third most frequently used type was informal control, which received 21% of the overall mentions (see **Table 6.2**). The central government stressed informal control less than formal control, mentioning the former only 12% of the time (see **Table 6.3**). The central office stressed informal control a bit more often than the central government, pointing to it in 15% of their mentions. A senior manager from the central office provided an example of informal control, stating:

“We have regular meetings with the public service provider and anything can be discussed during these meetings; the company has a representative who attends the meeting that is held in the TGA [central office]” (central office, senior manager 1).

Though informal control was repeatedly cited by the central offices, it was most often mentioned by the local offices (61% of the time that a control type was mentioned). This could indicate that the central government tends to be more centralized and therefore employ formal rather than informal control. In terms of control in local offices, although the relationship between the local office and the provider is official in that it involves contracts, specifications, and terms, it is simultaneously built on informal control. A manager from a local office provided an example as follows:

“When a violation is reported, I give the public service provider three days to get back to us regarding the issue. If reasonable justification can be provided, we strike it from their record. Our objective is not just to implement the contract literally; we also see the bigger picture, and therefore work to both improve the contract and regularly communicate with the public service providers through weekly meetings” (local office, manager 6).

This indicates that the local government utilizes informal control in their meetings and communications with public service providers; these meetings provide an opportunity to discuss issues that could otherwise result in penalties against the service providers.

Additionally, an interviewee from a local office (a control manager) mentioned that local government offices use informal control to deal with misunderstandings. When KPIs were first introduced, they were not entirely clear to the public service providers; local office managers then met with the public service providers in an attempt to clarify. The control manager explained:

“The operators misunderstood some of the KPIs when they were first introduced. Therefore, in order to resolve the problem, we had a joint meeting to establish the terminology of the KPIs as well as the base requirements to be used to monitor the contract going forward. Also, during meetings, we directly talk and discuss the state of the service with the provider” (local office, manager 6).

The same interviewee said:

“Clearly defining the KPIs changed the behavior of the provider. The open dialogues regarding these measurements have increased the provider’s trust in our office and made the provider to be more collaborative” (local office, manager 6).

The local offices, then, utilized informal control in the form of meetings to clarify the mechanism through which the public service providers would be controlled and evaluated. The KPIs needed to be clarified for both the government actors and the public service providers; these meetings were informal control tools that assisted in mitigating issues between the two parties.

As far as public transport provider was concerned, informal control was one of the most frequently used control types, receiving 12% of the mentions. One manager pointed out that:

“We also have regular internal meetings, which include division managers, to discuss issues, plans, and the overall performance of the company” (public service provider, manager 2).

A reliance on action control was observed across all levels (13% of all mentions - see **Table 6.2**).

Notably, it was stressed by the central government in 36% of the arguments coded (see **Table 6.3**). Examples of action control could include monitoring reports and KPIs; a senior manager from the central government clarified which regulatory body used this type of control most often, stating:

“The GCA is putting significant pressure on public entities to control and monitor the performance of their contracts. The GCA validated the monitoring reports prepared by the local office and made sure they matched the real work. Many mistakes were discovered in these contracts because of the weaknesses of the individuals working within local offices” (central government, senior manager 5).

Action control was stressed 41% of the time that a control type was mentioned by the local offices. They use KPIs as base standards that the public service provider must meet; any failure to meet an aspect of these KPIs is recorded in the monitoring reports and ultimately impacts the monthly

remuneration to the public service provider. For instance, the contractual KPIs document states that:

“Where there is a shortage in the service provided in terms of the cleanliness of buses and the validity of their use, SAR (200) shall be deducted” (Contractual KPIs document, 2017, p. 4).

This was implemented to ensure bus cleanliness; compliance is ensured via the government’s on-site inspectors. It can be said, therefore, that the government used the action control mechanism to monitor the behavior of the public service provider; the latter, in turn, is assumed to follow the guidelines to ensure an acceptable level of service and avoid any potential penalties.

According to an interviewee from the local office, their office and the public service provider agreed on the 11 KPIs (see **Table 6.1**) upon which the service would be measured. A manager from the control department explained the idea behind these KPIs as follows:

“We have 11 contractual KPIs that contain specific terms and violations. Our role is to make sure that the public service provider is committed to these KPIs and doesn’t breach them. If the public service provider violates one of these KPIs, we will impose penalties on him” (local office, manager 7).

The interviewee went on to further explain one of the KPIs, bus punctuality (see **Table 6.1**):

“The municipality inspectors are responsible for making sure that the buses run on time. Every bus in the contract is required to be on time. Some of the buses run at approximately 10 minute intervals while others run at approximately 15 minute ones” (local office, manager 7).

This indicates that the local government adopted action control to monitor the performance and behavior of the public service providers by mandating specific terms that the public service provider must adhere to, with inspectors conducting both random and scheduled visits to the transport area to ensure compliance. Additionally, the KPIs specifically mention sanctions (in the

form of financial penalties) that are applied when the public service provider does not comply with the terms. The financial penalties are presented in **Table 6.1**.

A few interviewees from local offices indicated the use of technological tools in the implementation of action control when monitoring public service providers' performances. This can include electronic platforms; for example, the central and local offices use two separate platforms to monitor public service providers. The local office, as mentioned by an interviewee, relies on a platform that was created by a public service provider. However, some interviewees from local offices stated that they still heavily rely on their inspectors and evaluation reports to manage the public service provider. One manager from the local office stated:

“We don't have sufficient infrastructure or technology to properly monitor public transportation services and facilitate the issuing of violation tickets in this way. It needs more time to be implemented” (local office, manager 7).

Technology seemed to be of limited use as it is unable to replace on-site inspectors at this time. It also seemed unlikely that the local office would be able to maintain effective control through an electronic platform that was set up by a provider, as the latter would be more knowledgeable about the system. Thus, it can be said that action control, in the forms of periodic inspections and monitoring reports, is most often used by local offices to manage the performance and behavior of contracted-out public transportation services.

A senior manager from the central office identified some issues that might weaken action control.

He stated that:

“Some public employees have limited abilities, are inexperienced, or are overloaded at work. Sometimes they lack training. Their skills do not equal those of the public service providers' staff. Those employees are more practiced in the field while the public employees are not. The latter group is less experienced, and this gap will undermine the overall monitoring and control of the service” (central government, senior manager 5).

In terms of the public transportation provider, action control, which was one of the most widely referenced control forms by provider, was applied through the daily monitoring of the service. One manager pointed out that:

“The company has a fleet management center, and we have teams whose main job is to monitor the service live. They are also able to communicate with bus drivers in cases of emergency” (public service provider, manager 1).

The least used type of control across all levels during the implementation stage of the contracting process was result control, which received only 4% of mentions (see **Table 6.2**). It was primarily referenced by the central government, which stressed result control 35% of the time that a control type was mentioned (see **Table 6.3**). A senior manager from the central government provided an example of result control, remarking that:

“Usually, public entities submit yearly reports to the central government [Shura Council] about their performance in a given fiscal year. This, of course, includes spending on public service contracts and the evaluation of overall performance of the provider, etc” (central government, manager 4).

The original franchise contract between the central government and the public transportation provider (which remains valid) indicates that the central government used result control by asking the public service provider to submit annual financial reports. It states that:

“The Ministry of Transport, or its representative, shall have the right at any time to view the company’s books, audit its accounts, and monitor the correctness of operating costs, provided that a report is prepared for each fiscal year during the three months following its end to be the basis for disbursing the subsidy” (Franchise contract, 1979, p. 2).

Though the central office did not seem to rely on result control, the local office stressed this type 53% of the time that an argument was coded. One local official clarified that:

“We are assisting the TGA (central office), and we continuously provide them with reports (with our comments) on the performance of the public service provider; those who are working in the TGA are responsible for making decisions regarding the service” (local office, manager 8).

Finally, irrespective of the type of control systems implemented, controls themselves can be seen as either enabling or constraining actions. As seen in **Table 6.2**, interviewees spoke more on the enabling role of control systems (9% of all mentions) than the constraining role thereof (2% of all mentions). This could be attributed to the fact that government considered the control systems to be a device to enable better management of the service. Enabling was stressed by the central government in 41% of the coded arguments (see **Table 6.3**). A senior manager from the central government remarked:

“The control tools we use, such as reports, enable an effective monitoring of the service. Of course, these tools need to be updated to allow proper control over different types of contracts, but I think our existing control tools provide us [central government] with the information we need to monitor the service” (central government, senior manager 6).

While several individuals from the central government saw control systems as an enabling tool for managing contracted-out public services, some actors from local offices saw those controls as constraining. In fact, constraint was stressed 66% of the time that an argument was coded by the local office (see **Table 6.3**). A manager from a local office, who was a bit reluctant to speak on the consequences of strong control, highlighted that:

“We used to intensely control the public service provider by imposing several penalties. The public service provider then asked the central office to intervene. I think our many penalties put pressure on the public service provider, and so they complained directly to the TGA” (local office, manager 5).

This implies that intensive control, in the form of imposing many financial penalties, might be seen as limiting the service. In fact, constraint was stressed by the public service provider in 17% of the arguments coded (see **Table 6.3**). A manager from the public service provider expressed annoyance with the control systems. He explained:

“Sometimes we have some problems, not with the TGA or RCRC, but with other public entities. These entities may not understand that this is a public service; they think that this is a private service that the company operates for profit. These public entities, like the General Administration for Traffic (GAT), are also somehow involved in controlling and monitoring the service. They sometimes hinder the service with their many on-site and administrative procedures and their financial sanctions” (public service provider- manager 2).

This indicates that control systems might be perceived as constraining the provider’s actions; one example is the engagement of several public entities like the GAT in the monitoring of the service.

The following sub-section discusses the main processual/relational dimensions through the lens of ST as well as some variables that were repeatedly emphasized by the interviewees.

6.3.2 Processual/relational dimensions

Several variables and dimensions pertaining to the relationships between different actors and levels of government, and operationalized through ST, were stressed. **Table 6.4** below mirrors the groups of ST variables, including structures (signification, domination, legitimization), modalities (interpretative scheme, facility, norms), and interaction (communication, power, sanctions). The total counts of arguments coded were calculated by each group of the processual/relational variables.

Signification was operationalized as the meaning and understanding, which constitute conception (Giddens, 1979). Interpretative schemes are related to standardized elements of stocks of knowledge that are applied by actors in the production of interaction (Giddens, 1979). They are related to people’s mindsets and culture. As shown in **Table 6.4**, some sub-categories of

interpretive schemes, for example, bureaucratic- and managerial came directly from the literature (Liguori, 2012; Pollitt and Bouckaert, 2011). Bureaucratic interpretive scheme is related to the use of formal rules, policies, and procedures (Pollitt and Bouckaert, 2011), whereas managerial interpretive scheme is related to leadership, incentives, and innovation (Pollitt and Bouckaert, 2011). Additional sub-categories emerged and were defined by the researcher as follows: law-oriented, which is related to the application of laws; open-minded, which is related to welcoming new thoughts; and risk-averse, which is related to a reluctance to speak or make decisions. Communication included both formal (e.g., letters) and informal (e.g., verbal) means.

Domination was perceived as a combination of resource authorization/allocation and produced power; in sum, dominance originates from resource control (Giddens, 1979). For example, the government could be seen as being in a strong dominant position because it both chooses the providers and pays for them. Conversely, it could be seen as being in a weaker position in that it relies on measurement tools created by the provider, like electronic monitoring systems; as such, the provider could omit important information from the oversight process. The facility included resources such as technology or funding. Power is related to control over either allocative resources or materials and people (Giddens, 1979) as well as the ability to influence outcomes (Markus and Pfeffer, 1983), perhaps by being more knowledgeable or funded. Public service providers could be perceived as powerful actors in that they have more knowledge of the service, but could also be seen as being in a weaker position in that they depend on government funds.

Legitimation was seen as normative legitimization, and produces moral order through societal norms, values, and standards (Giddens, 1984). For instance, both the government and public service providers agreed to involve representatives from both parties in drawing up contracts. Norms include, “the actualization of rights and enactment of obligations” (Giddens 1979, p.86). The sub-categories of norms, as defined by the researcher, include standards; these include certain rules that must be followed by either the government or the public service provider, values that

pertain to the usefulness of the contract, and the rights and obligations of both the government and provider. Sanctions were implemented in the form of financial penalties (Giddens, 1979).

An additional unexpected emerging variable was also highlighted during interviews, namely exploitation, which indicates any negative behavior through which public service providers might take advantage of the government's regulations or control systems. **Table 6.4** shows the totals and percentage counts of these variables among the different participants. Legitimation was the most recurring dimension, being highlighted 44% of the time that an argument was coded; signification was second at 34%. These percentages were calculated by manually noting when an interviewee emphasized processual/relational variables in the interview transcript (see Chapter Five). **Table 6.4** also contains the sub-categories that emerged from the main variables as mentioned by the interviewees.

Table 6.4. Overall frequency of processual/relational variables

Dimensions	Variables	Total counts	Total percentage	Sub-category	Total counts	Total percentage
Structures	Signification	157	34%			
	Domination	104	22%			
	Legitimation	206	44%			
	Total	467	100%			
Modalities	Interpretative scheme	52	25%	Bureaucratic	6	11%
				Law-oriented	8	15%
				Managerial	32	62%
				Open-minded	2	4%
				Risk-averse	4	8%
				Total	52	100%
	Facility	59	29%			
	Norms	94	46%	Rights or obligations	14	15%
				Standards	31	33%
				Values	49	52%
				Total	94	100%
	Total	205	100%			
Interaction	Communication	61	37%	Formal communication	15	25%
				Informal communication	46	75%
				Total	61	100%
	Power	83	50%	Strong power	80	96%
				Weak power	3	4%
				Total	83	100%
	Sanction/Penalties	21	13%			
	Total	165	100%			
	Exploitation	4	-			
	Total variable counts	841	-			

Mentions of processual/relational variables varied across the various actors. **Table 6.5** presents the groups of ST variables, including structures (signification, domination, legitimation), modalities (interpretative scheme, facility, norms), and interaction (communication, power, sanctions). It provides specific figures on the most frequently coded variables according to level of government; for example, central and local offices consistently emphasized the legitimation variable, while the public service provider seemed to stress this dimension less. This could be attributed to the fact that the private sector might perceive legitimation differently than the public sector. For instance,

while some government actors saw legitimization from the perspective of control systems, the public service provider saw it as leading to facilitating during contracting-out. A manager from the public service provider stated:

“Sometimes we have issues with other public entities; for example, when renewing some licenses, it might take several days, which affects the company. The presence of the TGA is very important as it always supports us and facilitates these procedures” (public service provider, manager 1).

Table 6.5. Total frequency of processual/relational variables according to the level of government

Dimensions	Variables	Sub-category (from literature and emerging)	Central government (6 interviewees)		Central public transport office (2 interviewees)		Local public transport office (9 interviewees)		Public transport provider (2 interviewees)		Total percentage (%)
			Total counts	(%)	Total counts	(%)	Total counts	(%)	Total counts	(%)	
Structures	Signification		54	34%	23	15%	68	43%	12	8%	100%
	Domination		32	31%	14	13%	54	52%	4	4%	100%
	Legitimation		57	28%	35	17%	95	46%	19	9%	100%
Modalities	Interpretative scheme	Bureaucratic	1	17%	0	0%	5	83%	0	0%	100%
		Law-oriented	5	63%	1	13%	2	25%	0	0%	100%
		Managerial	7	22%	4	13%	17	53%	4	13%	100%
		Open-minded	2	100%	0	0%	0	0%	0	0%	100%
		Risk-averse	1	25%	0	0%	3	75%	0	0%	100%
		Total	16		5		27		4		
	Facility		23	39%	5	8%	27	46%	4	7%	100%
	Norms	Rights or obligations	7	50%	1	7%	4	29%	2	14%	100%
		Standards	17	55%	4	13%	9	29%	1	3%	100%
		Values	12	24%	6	12%	26	53%	5	10%	100%
		Total	36		11		39		8		
Interaction	Communication	Formal communication	1	7%	2	13%	11	73%	1	7%	100%
		Informal communication	4	9%	6	13%	33	72%	3	7%	100%
		Total	5		8		44		4		
	Power	Strong power	21	26%	8	10%	45	56%	6	8%	100%
		Weak power	1	33%	0	0%	2	67%	0	0%	100%
		Total	22		8		47		6		
	Sanctions/ Penalties		1	5%	1	5%	17	81%	2	10%	100%
	Exploitation		1	25%	1	25%	2	50%	0	0%	100%

6.3.2.1 Dimension of structures

The dimension of structures consists of signification, domination, and legitimization. The total counts of structures were 467 times (see **Table 6.4**). Legitimation, the variable that was emphasized most overall, was mostly referenced by the local office (46% of its mentions - see **Table 6.5**). A manager from the central government provided an example of legitimization for contracted-out public service contracts, stating:

“We noticed that performance-based contracts are more beneficial for the government than labor-based contracts. In this way, we focus more on monitoring the performance itself rather than focusing on the number of laborers or materials in the contract. This has also reduced the cost of the public service contracts, making it preferable for both the government and the providers” (central government, manager 3).

In this case, legitimization seemed to draw on a new contract design that relied on performance indicators that were agreed upon by both the central government and the public service providers. A manager from the local office further defined some of the factors that offered legitimacy; he was troubled by the idea of involving more than one public entity at a time and felt that this might keep the relationship between the government and the provider from being harmonious. He added:

“In some cases, the public service provider seeks advice from or wants action to be taken by the central office when their issue should first be discussed with the local office. The involvement of many different parties might make management more difficult and create overlap in terms of responsibility for certain tasks. It would be better if only one public entity controlled the service” (local office, manager 5).

The manager seemed to believe that two public entities overseeing the contract delegitimizes the service, and that having only one would avoid any confusion or potential conflict during the implementation of the contract. Another suggestion regarding the legitimization aspect of controlling contracted services came from a local manager, who clarified that those specifically defined as representatives of the government and the public service provider are the only ones who may sign official documents, as per the contract. He continued:

“All official letters, invoices, and penalties should be signed by the government representative defined in the contract; these are legal documents and the person who signs them needs to be fully authorized” (local office, manager 6).

It was suggested that one way that the government could solve this problem is by specifying those persons who are authorized to sign official documents in the contract. This would provide formal, law-driven legitimization to those actors through means of authority. Only the individuals defined in the contract (from both the government and the service provider) would then have the right to sign contract-related documents. This view was consistent with Article (5) of the contract on the special conditions of public transportation:

“Any notifications, reports, documents, or demands under this agreement shall require written form by registered post or delivered by hand a receipt issued. The sender is responsible for the risks involved in the sending” (Public Transport Contract in Riyadh, 2017, p. 7).

The names of the selected representatives of the government and the provider were then clearly stated.

Signification, as previously stated, was the next most frequently referenced by interviewees at various levels and was frequently mentioned by both the central office and local offices, accounting for 15% and 43% of the coded arguments, respectively (see **Table 6.5**). A senior manager from the central office felt that the presence of some government members on the company’s board of directors contributed to the stability of the relationship between the two entities. He provided an example that clearly showed how the government understood the service and described some challenging scenarios and how they cope with them as follows:

“The GAT had issued many violation tickets to the public service provider because they said that the public service provider parked a bus in the wrong place, but this is because there wasn’t infrastructure; I mean, there was no bus stop for the bus to stop at. The public service provider came to us to complain. We then spoke to the GAT and explained to them that we are going to create additional bus stops; we had to first discuss this with the Riyadh municipality (as they are also responsible for the streets inside the city) in order to locate a proper location for the bus stop.

We then solved the problem using the relevant public entities" (central office, senior manager 2).

This shows that representatives of the central office consider themselves to be both the regulators and the facilitators of the service. They gave meaning to this contractual relationship by minimizing obstacles that might occur during the contract implementation stage. The same interviewee provided an additional example:

"The public service provider explained to us that using the right lane for buses makes them take longer because many trucks use the same lane. If buses continued to use only the right lane, there would be delays in the service and its overall performance would suffer. Therefore, we had many meetings with road security officials and were finally able to allow the public service provider to use the middle lane to avoid any delays or anything else that would lower the quality of the service" (central office, senior manager 2).

The two previous quotes are examples of signification in that the meaning of public transportation to the central office was defined by their responsibility for its regulation. This conceptualization of the public service provider by the central office, in turn, led the government to intervene and solve problems on the public service provider's behalf. This implies that the central office saw the service as a cooperation between the government and the public service provider. Therefore, they indicated that they wanted to be more involved in supporting the service. A manager from the local office provided an argument related to signification and explained how he understood the service:

"We have a very close relationship with the public service provider. We are keeping an eye on the service and, at the same time, we know how the public service provider provides the service and how this service can be developed. Again, it is a contractual relationship for us; this involves contract specifications and conditions that need to be met" (local office, manager 4).

The local office was not only interested in a closer relationship with the provider, it also provided meaning to the control systems. It seemed to prioritize close relationships and the application of contracts in its pursuit of better service control.

Domination was stressed in 22% of the coded arguments across all levels of government (see **Table 6.4**). A manager from the central government showed how the government has strong dominance over the contract. He explained that:

“As I said, the contract couldn’t cover everything. There could be circumstances that affect the service as a whole. For example, with COVID-19, the government decided to decrease the cost of the contract. Although this was not clearly stated in the contract, the government asked the provider to stop the service; as such, decreasing the value of the contract was reasonable in this case” (central government, manager 4).

This indicates the governments’ domination over the service; because of its position, it had the ability to stop the service as a result of curfews and lockdowns in the country.

The local office also stressed the presence of domination over the public service provider thanks to its staff. A local office manager felt that day-to-day monitoring was essential for measuring the performance of the provider. He noted that:

“We have inspectors who ensure, on a regular basis, the compliance of providers with the regulations; for example, they validate the cleanliness of buses and the licenses of bus drivers” (local office, manager 8).

A senior manager from a central office criticized a contract term that was intended to make the government more dominant in terms of contract revenues. He mentioned:

“According to the contract, managing revenues from advertisements was assigned to municipalities. I think the government wanted to have more control over advertising content; however, the provider is more eager to advertise because of its motivation to earn additional money. Assigning ad management to municipalities was not a good decision because they are not motivated to advertise on the buses” (central office, senior manager 1).

The centralization of some tasks in the contract, such as advertising, is another example of strong domination by the government.

The above indicates that each dimension of the structures plays an important role in the way the public transportation is controlled. Conducting analysis through the lens of the structures allows for the identification of the ways in which control systems and relationships are perceived by the primary actors. As managers and accountants interact with the control systems, these interactions are shaped by legitimization, signification, and domination structures.

6.3.2.2 Modalities (modes of mediation)

The modality variables include interpretive schemes, facility, and norms. The total counts of the modalities were 205 times (see **Table 6.4**). The norms variable was the primary modality variable spoken of by the participants; it was emphasized 46% of the time that an argument was coded (see **Table 6.4**). A manager from a local office provided an example of norms variable, remarking:

“The public service provider should be obligated to comply with the contract and regulations. The company should ensure that the service and buses comply with applicable laws at all times, as stated in the contract” (local office, manager 3).

The above indicates an emphasis on the obligations of the public service provider, which is in line with the norms variable. The provider is expected to follow both relevant laws and the requirements set out in the contract.

Facility was another processual/relational variable that was stressed by the interviewees, receiving 29% of the total mentions (see **Table 6.4**). It was primarily referenced by local offices, which provided 46% of the total mentions (see **Table 6.5**). In the case of the central government, technological systems are used as facilitators to exercise more control. A senior manager noted that:

“The government moved toward technological tools of control, like Etimad and Shamel²⁶. This accelerated the monitoring process and allowed for better oversight” (central government, senior manager 2).

²⁶ An online platform launched by the GCA to exchange documents between the GCA and public entities for financial post-auditing revenue and expenditure purposes.

Conversely, local offices seemed to rely on their inspectors' reports to monitor the service. A manager from the local office commented that:

“We depend heavily on human control (inspectors) in the field; they are really very important. Their reports are more trustworthy and provide more accurate information about the service” (local office, manager 4).

The electronic monitoring systems were also adopted by the public service provider to facilitate the monitoring of the service. A manager from the public transportation provider said:

“We have an electronic system that allows us to monitor our buses, and managers from the public transportation department are also able to access this system to see how the service is provided” (public service provider, manager 1).

Interpretative schemes were coded in 25% of the total mentions (see **Table 6.4**). Several interviewees saw the service or control systems through the lens of a bureaucratic interpretive scheme; this received 11% of total mentions of interpretive schemes. A managerial interpretive scheme was also emphasized, receiving 62% of total mentions of interpretive schemes (see **Table 6.4**); these two categories are therefore not considered to be mutually exclusive, but rather dependent on the specific facet and/or characteristic of the service being discussed. A local manager explained how the central government adopted an incentive-based strategy to boost the performance of public service providers. He explained that:

“In the new contract, all ticket revenues go to the provider; also, when the public service provider has exceeded a certain amount of revenue, 50% (of the exceeded amount) will then be deducted from the total value of the subsidy. In this way, the public service provider is guaranteed to be motivated to provide the service” (local office, manager 9).

This indicates an emphasis on incentives and revenue, which is consistent with the managerial interpretive scheme. The mindset of contract designers and decision-makers seemed to be focused on motivating the provider through rewards. As such, ticket revenues went to the provider,

incentivizing them to encourage people to use public transportation. The same interviewee went on to say that:

“The government supports the provider; in turn, the provider should also work properly and comply with the contract and specifications. Otherwise, penalties will be applied” (local office, manager 9).

This shows that the interpretive schemes of the local office can also be bureaucratic, as they emphasize adhering to contracts and specifications.

Some responses also stressed a law-oriented interpretive scheme across all levels; this scheme received 15% of all mentions of interpretive schemes (see **Table 6.4**). A manager from central government remarked:

“I think that the new public procurement act has solved many issues that happened in the past with regards to contracting out public services. This update is essential for the organization of the overall processes of contracting” (central government, manager 4).

This quote stresses the importance of the law in the regulation of procedures related to contracting, which is aligned with the law-oriented interpretive scheme.

The other emerging sub-categories of interpretive schemes, open-minded and risk-averse, were mentioned only 4% and 8% of the time, respectively (see **Table 6.4**). As such, the open-minded and risk-averse interpretative schemes do not seem to play major roles in the contracting-out oversight process.

It can be said that, although all modalities were referenced as means for interaction by all agents, the stress on the importance of these modalities differed across the various actors.

6.3.2.3 Interaction

The interaction variables include communication, power, and sanctions. The total counts of the mentions/codes of interaction were 165 times (see **Table 6.4**). Power, which is related to the

control of resources and services, received 50% of all mentions across all government levels; most of the mentions (96%) were in the emerging sub-category “strong power”, which is related to significant control over resources and the ability to influence outcomes, (see **Table 6.4**). The central office is considered to have strong power and control over resources as it is the actor that regulates public transportation throughout the country. A manager from the central office said:

“The central office [TGA] was assigned by the government to regulate the transportation sector in the Kingdom of Saudi Arabia. In this sense, it was assigned to issue the regulations to organize the overall process of transportation” (central office, senior manager 2).

In a similar vein, the local office exercised strong levels of power thanks to its delegated ability to monitor the service on behalf of the central office. A manager from the local office said:

“The central office [TGA] empowers the local office [RCRC] to manage and control the contract” (local office, manager 6).

Communication received 37% of the mentions (see **Table 6.4**), though interviewees mentioned informal communication more frequently than formal communication (see **Table 6.5**). It is also important to note that 72% of the mentions came from local offices, who felt that the relationship between the government and public service providers could be facilitated by the activation of informal communication channels between the two. In addition, some interviewees from local offices suggested that this relationship should be transparent and that the parties need to see one another as partners. It was noted that the relationship with public service providers was perceived as working well when the provider followed all laws and regulations and respected its contractual relationship with the government. A transport manager from a local government emphasized that cooperation was an important factor in a successful relationship. He stated that:

“We don’t want to end up terminating the contract and looking for another public service provider, which might be costly. We don’t want to have any dispute with the public service provider; therefore, cooperation between the public service

provider and the government will make the relationship work well and, at the end of the day, the passengers will be given good service" (local office, manager 9).

Another manager from a local office's control department stressed informal communication and relationships that involve frequent meetings with the public service providers:

"For example, we had an issue at the new industrial city where the private security company decided to stop the buses' access to the location. I was contacted by SAPTCO to go with them to the location to resolve the issue; we spoke to the security company and together we were able to gain access to the bus routes again. This would not have happened if we had not had a good working relationship" (local office, manager 5).

The above implies that the local offices (particularly control departments) considered a close, informal relationship with public service providers to be an essential factor in both avoiding and mitigating issues.

Sanctions, which took the form of financial penalties, were stressed by the interviewees in 13% of the overall mentions (see **Table 6.4**). These penalties were most often stressed by local office interviewees, who accounted for 81% of all mentions (see **Table 6.5**). This could be attributed to the fact that the local office was more involved in the application penalties, as they are responsible for the monitoring of and payments to the provider. A manager from a local office emphasized the necessity of financial penalties, stating:

"We often imposed penalties to make the public service provider comply with the contract. This would lead the company to radically improve its performance. Without these penalties, we would have been unable to enforce any rules with the public service provider" (local office, manager 6).

The above implies that, even though the public transportation provider is owned by the government, it is not immune from being penalized financially.

As far as the public transportation provider was concerned, one manager from the public transportation provider provided an example of how penalties are applied by local office. He stated:

“In some bus lanes, the buses should arrive every 10 minutes, and in some others, the buses should arrive every 15 minutes. It is very important for us to adhere to these scheduled times, because if we are not on time, the government will impose penalties on us due to the delay” (public service provider- manager 1).

The above offers one example of the imposition of financial penalties after failure to comply with contract requirements.

Finally, exploitation was identified as an emerging variable and was stressed a few times by both the central and local offices. A senior manager from the central government indicated that:

“Individuals who work in the central and local offices and do not fully understand the context of laws or small details in the contract might be misled. Their lack of experience might allow the public service provider to convince them of something that might not be delivered or might not be implemented in accordance with the specifications and conditions of the contract” (central government, senior manager 5).

This shows that exploitation may take place during contracted-out public services; the provider may benefit from both inexperienced public employees and the control systems themselves. This may lead to the public service provider failing to properly provide the service. It is important to consider such negative behavior by public service providers as it affects the performance of the service. Additionally, an accountant from the local office explained:

“The provider should not exploit the fact that sometimes the government is not focused on some part of the services; therefore, the provider may opt to not provide the services in a good way. Dishonest behavior is not acceptable; when government finds out that the provider is not providing true information, it will tarnish the relationship” (local office, accountant 2).

This shows that exploitation by the public service provider has negative consequences, as it undermines the service and weakens the relationship between the government and the provider.

It can be stated that interaction variables play a key role in influencing the control systems. Central and local offices are empowered by regulations that allow them to implement control systems that work for them. Informal communication is used to build close relationships between government

and the provider. Sanctions were used by the government to rectify the behavior of the public service provider. Taken together, these results suggest that there is an association between interaction variables and control systems during the contract implementation stage.

6.3.3 Patterns between control types and processual/relational variables

This section discusses co-occurrence patterns between the control types and the most frequently recurring dimensions of the processual/relational variables. The purpose of this section is to address one of the research questions, which is related to the ways in which control patterns and relationships interact.

Table 6.6 shows the co-occurrence patterns between control types and processual/relational variables. It presents the mentioning of two variables in the same argument by all participants (including both government representatives and the public service provider). In other words, it mirrors the frequent co-occurrence between (controls and relational variables) in the same quote. High co-occurrence between the identified variables was denoted with the symbol (✓), which represents a co-occurrence of 50% or higher (i.e., the percentage of times a mention to controls and relational variables was made together in each argument). The percentages were calculated in accordance with the relational variables over the total of the type of control (see the co-occurrence table in **Appendix 5**). Each coded argument could have more than one co-occurring variable, and co-occurrence has been summarized here. The number of times that two variables were emphasized together was coded by the researcher. Subsequently, NVivo was utilized to calculate the percentages of co-existence of the identified variables. For instance, input control was mentioned 110 times and the co-occurrence of signification and input control occurred 71 times; that number represents 64% of the total mentions of input control. Therefore, that co-occurrences were computed on the basis of the total of the controls (rather than the relational variables).

It was noted that control types were often associated with legitimization and signification, which were the two theory-based dimensions that the interviewees focused on the most. They were also the most referenced dimensions of the processual/relational variables.

6.3.3.1 Controls and structures

This sub-section presents the co-occurrence between structures (signification, domination, and legitimization) and type of controls. The highest co-occurrence was between legitimization and action control; this co-occurrence accounted for 76% of the total mentions of action control. A manager from the local office who described one of the measurement tools, an example of action control, included the legitimization dimension in the same argument, explaining:

“The KPIs are meant to make both the public transportation service and the evaluation criteria for the provider clear. These factors were explained in detail to make it clear that they will be evaluative markers for the public service provider” (Local office- manager 6).

The KPIs were seen as legitimating the service and its performance, and both the local government and the public transport provider agreed on them. These indicators also justified the imposition of financial penalties when the provider failed to comply with the KPIs.

Legitimation was referenced with formal control in 74% of the former’s mentions. In one example, an accountant from the local office explained legitimization in the context of formal control. He remarked:

“We review the payment orders for the public service provider. We validate the numbers in the invoices, dates, and confirm whether invoices are originals or copies. We don’t accept copies; payment orders are returned in that case. We always ask for original copies of invoices. The way that we check the documents for the contractors depends on the stage that they are in; for example, if it is the first payment, I need to check whether the contract was signed by both parties and whether financial guarantee is available. If it is a middle payment, we require monitoring reports signed by the supervisors. At the end, I need to confirm both what we have paid and the deductions to close the contract” (local office-accountant 1).

This implies that a financial affairs department may legitimately ask for different documents as needed in order to make payments to the public service provider. This legitimacy is applied through formal control; accountants formally review the documents and return them if they are not consistent with regulations.

Legitimation was also often referenced together with input control, accounting for 69% of the total mentions of input control. One manager from the central government highlighted the legitimization dimension and input control in the same argument, stating:

“We have been given the right to review the public service contracts in terms of the legal framework as well as the value of these contracts. We have teams of specialists to evaluate all aspects of these contracts. If we were to find that the public entity does not benefit from a certain component of the contract, we have the right to reduce the estimated cost accordingly” (central government, manager 3).

The above quote is aligned with the legitimacy dimension as the central government can determine how much a current contract benefits them and reduce the allocated amount for the next contract accordingly. This is also consistent with input control because the government ensures control over public funds.

The domination dimension was used together with result control in 65% of the total mentions of result control. A senior manager from the central office remarked:

“We ask the local office to periodically provide us with a report that summarizes the performance of the provider over a specific period of time. They also include their comments regarding the service with this report” (central office, senior manager 2).

The above quote indicates that the central office is in a dominant position during the contract implementation stage because it regulates service. In other words, the central office dominates local offices. This quote also implies that the central office utilizes result control in the form of evaluative reports on the public service provider.

Signification was stressed together with informal control in 64% of the total mentions of informal control. A senior manager from central government provided examples that showed the co-existence of signification and informal control. He denoted:

“We conducted some workshops for individuals who work for the public entities, those who work in the financial and procurement departments, to explain the new public procurement law to them and define any issues that might happen. They were discussion-based workshops. In this way, we clarified some of the issues associated with implementing contracting services. Other public entities have organized workshops with providers to learn about the problems they face and attempt to solve them” (central government, senior manager 2).

The above quote is consistent with the signification dimension as the government gave meaning to the service by organizing events to ensure that both parties understood the process and the relevant regulations. These workshops were also part of informal control, enabling the identification of potential problems during the implementation stage.

6.3.3.2 Controls and modalities

This sub-section shows the co-occurrence between the variables within modalities (interpretive schemes, facility, norms) and control types. Facility was stressed together with result control in 58% of the total mentions of result control. A manager from the public service provider provided an example of one result control tool used by facilitators to evaluate the overall performance of the company. He stated:

“At the end of each fiscal year, we prepare an overall report that includes the progress of the company throughout the year. This report is submitted to the board of directors. It is very useful for them and supports them in making their decisions” (public service provider, manager 2).

With regard to other control types, high co-occurrence between them and other modalities (interpretive schemes and norms) was not found. However, there was relatively high association between one of the sub-categories of norms (standards) and the enabling role of controls; this co-occurrence accounted for 51% of the mentions of enabling. A manager from the local office stated:

“The contractual KPIs are designed based on the best criteria from different countries. They enable us to determine the quality of the service” (local office, manager 9).

6.3.3.3 Controls and interaction

This sub-section illustrates the co-occurrence between interaction variables (communication, power, and sanctions) and control types. The strong exercise of power was associated with action control; this co-occurrence accounted for 66% of the total mentions of action control. A manager from the central government denoted one action control tool which was also related to strong power dimension. He said:

“Most public entities use monitoring reports (primarily on a monthly basis), to evaluate the performance of the provider. These reports are used to process payments to public service providers; they will not be paid without them” (central government, manager 4).

This quote is twofold; it shows that local offices use monitoring reports as action control tools for measuring the performance of the provider and that the government exercises strong power over financial resources; providers will not be paid unless there is evidence of the work being done.

Informal communication was most often presented with informal control; co-occurrence accounted for 50% of the total mentions of informal control. Interviewees spoke of informal communication more often than formal communication. Local offices emphasized this aspect more than the central government. A manager from a local office indicated:

“During the COVID situation, which has been unprecedented around the world, the close working relationship between the RCRC and SAPTCO has ensured that we continued to supply the best possible service to the people of Riyadh whilst complying with any Ministry of Health and Ministry of Interior guidelines. We had several meetings with the provider to discuss this matter” (local office, manager 4).

The above quote is in line with both the informal communication and informal control variables in that meetings were used by the local office to informally communicate with the public service provider.

The other interaction variable (sanctions) did not show strong association with any control types. However, there was an association between sanctions and the role of controls (constraint), which accounted for 50% of the total mention of constraint. A manager from the local office stated:

“When the company breaches the contract, we impose penalties; for example, if there are some violations regarding the safety or scheduling of the buses. The provider might think they are a government company and imposing penalties is like penalizing oneself and make them constrained to contract's terms, which is not true” (local office, manager 7).

Table 6.6. Co-occurrence patterns between control types and processual/relational variables

No	Control types and roles	ST variables							
		Structures			Modalities		Interaction		
		Signification	Domination	Legitimation	Facility	Norms (sub-category: Standard)	Informal communication	Strong power	Sanction
1	Action control	-	-	√	-	-	-	√	-
2	Formal control	-	-	√	-	-	-	-	-
3	Informal control	√	-	-	-	-	√	-	-
4	Input control	√	-	√	-	-	-	-	-
5	Result control	-	√	-	√	-	-	-	-
6	Enabling (role)	-	-	-	-	√	-	-	-
7	Constraint (role)	-	-	-	-	-	-	-	√
8	Exploitation	-	-	-	-	-	-	-	-

6.4 OVERVIEW OF THE ELDERLY CARE SERVICE

Defining the ways in which elderly care is structured and controlled in the Kingdom of Saudi Arabia is paramount to understanding the analysis of the findings. As such, this section offers some general background on elderly care in the country.

Elderly care services in Saudi Arabia are regulated and overseen by the central government via the MHRSD, which was established by a Royal Decree in 1960 (MHRSD, 2021). The MHRSD is responsible for regulating and legislating social and labor affairs in the country; it is located in Riyadh, as are all Saudi central government offices. The MHRSD's local offices, as well as all social care houses, are owned by the Saudi government and are entrusted with monitoring the relevant public service providers. These social care houses provide elderly citizens, both male and female, with housing and care (Unified National Platform, 2021). The Saudi central government contracts privately owned companies to provide elderly care services within these houses, though there is also some public staff. Each region of Saudi Arabia had an independent elderly care contract with a public service provider; these contracts are between the MHRSD and public service providers. The responsibilities of the local offices and the social care houses start after the contract is awarded; elderly care, unlike public transportation, is provided entirely by the private sector. A review of the elderly care contract in Riyadh revealed that:

“The local office is responsible for the supervision, follow-up, performance evaluation, and accounting, and the provider is responsible for the implementation and management of the work and the handling of observations on a timely basis in accordance with the terms and specifications of the contract” (Elderly Care Contract in Riyadh, 2019, p. 20).

Control over the elderly care sector, both financial and non-financial, is maintained through various oversight tools. Unlike in the case of public transportation, the MHRSD processes financials for all elderly care providers in the Kingdom centrally; social care houses fill out the payment forms, which reflect the performances of the public service providers, and then send them to their local offices. The local offices, in turn, send those forms to the Ministry for payment. The Ministry uses

the contracts as a control tool, as they are signed by both parties and include goals, definitions, duration, the contract's value, and detailed sanctions. The Ministry has also designed detailed KPIs (see **Table 6.7**) to ensure proper monitoring of public service providers. These KPIs are printed out by the ministry in the form of booklets called performance evaluation forms and distributed to all local offices and social care houses. Local offices fill out these KPI-based booklets and send them to the ministry on a monthly basis. Local offices also use daily monitoring reports to oversee public service providers. These reports, which reflect the monthly KPI-based booklets (performance evaluation forms) upon which the performance of a given public service provider is measured, are essential for these local offices. The percentage of the performance evaluation is calculated as:

$$\frac{\text{Total deserved marks}}{\text{Total allocated marks}} \times 100$$

The form needs to be signed by three employees as well as the manager of the local office.

Table 6.7. Examples of the KPIs used by local offices to measure the performance of elderly care providers

No	Index	Definitions	Allocated Marks	Deserved Marks
1	General cleaning	Follow-up and supervision of general cleaning and maintenance services	50	
2	Maintenance	Medical equipment maintenance	60	
		Electrical appliance maintenance	50	
3	Laundering	Washing of clothes	30	
		Sterilization of clothes	20	
4	General liabilities	Speed and efficiency of executing operating orders	30	
		Adherence to the daily nutrition program	50	
		Disposal of medical and non-medical garbage	30	
5	Staff housing and transportation	Cleanliness of accommodations for employees	20	
		Cleanliness of employee transportation	20	

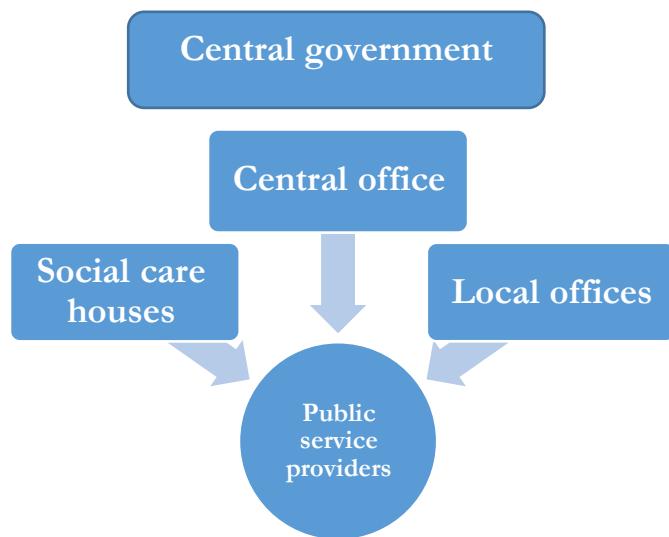
Source: Translated KPIs for elderly care in Saudi Arabia (Contractual KPIs document, 2015).

Social care houses work closely with public service providers as they are often at the same sites; this enables frequent meetings between the two entities. **Figure 6.2** below depicts the monitoring relationship between the MHRSD, local offices, social care houses, and public service providers.

After monitoring, the local offices report back to the central office, as the former are responsible for reporting on the performance of the public service providers to the latter. The local offices use monitoring reports; these include the monthly measurement of the performance of the public service provider. The local offices calculate the payments for the public service provider and deduct any incurred penalties therefrom. After that, the local office sends the report to the central office.

The financial department of the MHRSD then re-checks all calculations before sending the payment order to the MoF so that the payments can be transferred to the public service provider.

Figure 6.2. Government monitoring structure of elderly care services in Saudi Arabia



Source: Author's elaboration.

6.5 ELDERLY CARE: INTERVIEW RESULTS AND ANALYSES

As with public transportation, the analysis of the interviews showed no differences between Riyadh and Dammam; responses and patterns were similar in terms of the control systems used and the characteristics of the relationship between the government and public service providers. For instance, the local office in Riyadh mentioned informal control tools 13 times, while the Dammam local office mentioned them 12 times. Moreover, the signification variable was coded 13 times in the Dammam local office and 18 times in the Riyadh local office for a total of 31 mentions. As such, the results from the two cities have been analyzed together. As in the case of public transportation, these similarities could be due to the fact that the two cities are relatively similar in size and under the same central Saudi government.

Interviews were conducted with six individuals from the central office of elderly care, four individuals from local offices, and two individuals representing public service providers. It is worth noting that the interviewees' backgrounds were primarily in accounting (five of 12) and social studies (four of 12), and the remaining three had varying backgrounds, though this did not seem to affect how they perceived control systems or relationships. This is perhaps because the way in which they made sense of the control systems was constructed through their practices and experiences, not their qualifications. Interestingly, nine of the 12 had no previous private sector experience. It is also worth noting that the majority of participants were men (there was only one woman), and that most had between 11 and 20 years of tenure in the public sector.

The following sections focus on findings from the interviews that relate to control systems used in elderly care, processual/relational dimensions (as illuminated by the use of ST), and patterns between control types and relational variables.

6.5.1 Control systems

Several different control forms are currently used to manage the elderly care services; according to the interviewees, the most frequently used type was input control, which received 32% of the

mentions across all the coded arguments. Conversely, the least frequently used type was result control, which received only 3% of the mentions (see **Table 6.8**). **Table 6.8** shows the total numbers of references to the various control types and roles by all participants. The total counts were computed by counting each time an interviewee mentioned any control category. For instance, informal control was counted 76 times, which means that it was stressed in 18% of the arguments coded.

As with public transportation, the role of the control systems was identified (in addition to the control types) using accounting literature, which includes “enabling” and “constraining” features of controls as sub-categories. These two variables were attached to any mention in which an interviewee explained how control systems enabled or constrained their actions and/or the service.

Table 6.8. Overall frequency of control types and roles

No	Control types and roles	Total counts	Relative % of the total
1	Input control	131	32%
2	Formal control	119	29%
3	Informal control	76	18%
4	Action control	49	12%
5	Result control	14	3%
6	Enabling (role)	20	5%
7	Constraint (role)	4	1%
Total variable counts		413	100%

As shown in **Table 6.9**, control types were employed differently depending on the level of government. This suggests that the type of control implemented by a specific level of government is based on that level's roles and responsibilities and how far from or close to the process of controlling public service providers.

Table 6.9. Total frequency of control types and roles according to government level of the actors

Control types and roles	Central government (6 interviewees)		Central elderly care office (6 interviewees)		Local elderly care office (4 interviewees)		Public service provider (2 interviewees)		Total percentage
	Total counts	(%)	Total counts	(%)	Total counts	(%)	Total counts	(%)	(%)
Input control	50	38%	51	39%	20	15%	10	8%	100%
Formal control	31	26%	53	45%	29	24%	6	5%	100%
Informal control	11	14%	29	38%	25	33%	11	15%	100%
Action control	20	41%	16	33%	10	20%	3	6%	100%
Result control	6	43%	3	21%	2	15%	3	21%	100%
Enabling	15	75%	2	10%	3	15%	0	0%	100%
Constraint	1	25%	2	50%	0	0%	1	25%	100%

As previously stated, the most frequently mentioned type was input control; 38% of its mentions came from the central government (see **Table 6.9**). One manager from the central government mentioned an example of input control, stating:

“The central government established the CSE to safeguard public funds. For example, we decided what information would be included in the tenders’ documents and evaluation forms. All public entities should only use the information in these forms” (central government, manager 3).

This could also be seen in Article (13/2) of the Public Competitions and Procurement Act, which similarly stipulated:

“The head of the CSE approves tender documents forms, prequalification documents, contract forms, and contractor performance evaluation forms. All public entities must adhere to these forms” (Public Competitions and Procurement Act, 2019, p. 10).

The above quotes demonstrate that the central government enforced input control through the law by emphasizing the implementation of contracting-out related procedures with the goal of better measuring the performance of public service providers.

A manager of one elderly care provider remarked that:

“We sometimes found it difficult to follow all of the rules and regulations set by the government because they are very strict, which ultimately led to financial penalties” (public service provider 1, manager 1).

The central office of elderly care emphasized input control in 39% of its arguments (see **Table 6.9**). An accountant from the central office described their control mechanism during the contract implementation stage. He said:

“We have an electronic financial system, and we insert the payment information for public service providers into the system. The system calculates the remaining budget for the contract, and will not allow us to exceed this value” (central office, accountant 2).

This implies that the financial department of the central office of elderly care is prone to input control; they exercise it on both the financial payments to the public service providers and the electronic financial system, enabling compliance with the contract’s allocated budget.

The local elderly care offices emphasized input control in 15% of their overall mentions (see **Table 6.9**). One manager from the local office remarked:

“We also check the availability of materials for residents, for instance, wipes, bags...etc. We make sure they are available at all times and that everyone has enough personal items. At the same time, we make sure that they don’t have more than they actually need” (local office, manager 1).

This shows that local offices implemented input control by monitoring the provided items for residents in the social care houses and make sure the there is no excessive provision of such materials.

The second most frequently mentioned type was formal control, which received 29% of the total mentions (see **Table 6.8**). It was primarily referenced by the central office (45% of its arguments - see **Table 6.9**). A manager from the central office offered an example of formal control over the provider, stating:

“If the number of employees provided by the public service provider is less than what is stated in the contract, we write an official warning letter to the public service provider and urge them to comply with the contract. If the provider has a valid excuse, we try to find another way to solve this issue. However, if they fail to

provide a reasonable excuse, we impose penalties in accordance with the contract” (central office, manager 5).

This shows that the central office implemented formal control by relying on contract requirements that the provider is expected to adhere to.

Participants from the local offices provided 24% of the mentions of formal control. One manager from a local office described the use of formal control throughout the contract. He stated:

“If we want the provider to do a task within the contract, we write an official operating order and submit it to the representative, who arranges to contact the company regarding this order. The provider should do the work within a particular period of time; otherwise, it will be done on their account, and they will be penalized” (local office- manager 1).

This quote shows that local offices used formal control in the form of formal letters stating their requirements.

The third mostly frequently mentioned type was informal control, which received 18% of the total mentions across all coded arguments (see **Table 6.8**). Though the central government did not emphasize informal control, it is interesting to note that it was stressed 38% of the time that a control system was mentioned by the central office (see **Table 6.9**). A manager of the elderly care department in the central office described how her office uses informal control as follows:

“We sometimes have meetings with the local office and the provider’s representative if there is an issue regarding the work or if there are any conflicts. We try to solve issues by meeting with them and clarifying any vagueness in the contract” (central office, manager 3).

This indicates that informal control was frequently used by the central office if an issue needs to be resolved immediately.

A manager of one elderly care provider noted that:

“Having a representative within the central office enabled collaboration and encouraged open discourse between the government and the provider” (public service provider 2, manager 1).

Informal control was also repeatedly cited by the local offices (33% of their mentions - see **Table 6.9**). One manager from a local office said:

“We arrange regular meetings with the public service provider, but it can be said that they are informal meetings, just to facilitate the work and get everything done; they are not formal meetings where you have minutes” (local office, manager 2).

This demonstrates that local offices conducted regular meetings with public service providers as a means of informal control.

As far as elderly care providers were concerned, informal control was one of the most used control types, receiving 15% of the mentions (see **Table 6.9**). One manager pointed out that:

“We are in continuous contact with our supervisors in the social care houses; they provide us with, for instance, reports on attendance at the elderly care service. This helps check the compliance of our workers as well as their performance. We also organize meetings to discuss the performance of the company” (public service provider 1, manager 1).

This shows that the elderly care service provider employed informal control by communicating with their representatives in social care houses and arranging meetings.

Action control accounted for 12% of the total mentions across all levels (see **Table 6.8**). It was mostly stressed by the central government (41% of its mentions - see **Table 6.9**). A manager from the central government explained how action control is used to monitor the oversight process of contracting-out. He said:

“As a general practice in public contracts, evaluation reports are pretty much used to monitor the provider. It is probably one of the most suitable instruments for

evaluating the actions of the public service provider during the contract" (central government, manager 4).

The central office participants referred to action control in 33% of their overall mentions (see

Table 6.9). One manager from the central office stated:

"We conduct unplanned or random visits to check the performance of the social care houses in person and discuss the overall service with the managers. If the performance of the public service provider is low, it means that the performance of the social care houses is also low. We try to find ways to improve their performances" (central office, manager 4).

Central offices seemed to adopt action control by conducting visits to social care houses in order to check on the performance and behavior of the public service provider.

Action control was emphasized 20% of the time that a control system was mentioned by the local offices (see **Table 6.9**). A manager from the local office stated:

"We used KPIs prepared by the central office to measure the performance of the provider, and there are monthly reports that contain the marks for every service and whether the public service provider met them or not. After filling these reports, we send them to the central office" (local office, manager 4).

This indicates that the local office used action control via the filling out of monthly monitoring reports to assess the performance of the public service provider.

In this context, a manager of one elderly care provider said that:

"Some KPIs were difficult to meet because the situation was out of control; penalties were imposed despite the fact that we attempted to communicate with the central office and provided alternative solutions" (public service provider 2, manager 1).

The control type that was least referenced across all levels was result control, which accounted for only 3% of mentions (see **Table 6.8**). It was mostly stressed by the central government (43% of

its total mentions - see **Table 6.9**). A senior manager from the central government indicated that public service contracts are periodically checked by the central government. He explained:

“We review whether contracts were postponed, stopped, or deviated from and whether the KPIs are achieving their objectives. We then provide recommendations that the central and local offices are obliged to implement” (central government, senior manager 5).

The above quote demonstrates that the central government is invested in modifying the ways in which public service providers are monitored as needed. It adopted result control to evaluate the monitoring procedures implemented by both central and local offices.

Though local offices did not seem to rely heavily on result control, the central office stressed it in 21% of their total mentions (see **Table 6.9**). A manager from central office remarked:

“We also measure overall performance at the end of the contract to determine the main issues, the things that we don’t need within the contract, and what needs to be added” (central office, manager 4).

This was also noticeable in Article Four of Section Three of the elderly care contract in Riyadh:

“Upon completion of the contract, the public entity prepares a technical report showing all implemented works and all the notes on the provider. In the event that there are works that the contractor did not respond to, they shall be implemented at his expense by the new contractor, regardless of their costs” (Elderly Care Contract in Riyadh, 2019, p. 91).

Finally, controls might be perceived as enabling or constraining actions (see **Table 6.8**). Interviewees spoke mainly on the enabling role of control systems (5% of all mentions) more than on its constraining role (1% of all mentions). Additionally, different levels of government viewed control systems differently; although the central government perceived control as an enabling action, interviewees from the central office seemed to see the controls not only as enabling but also as constraints. A senior manager from the central government stated:

“The procedures that government implemented to monitor the service aim to ensure that everything is implemented as it supposed to be and hold providers

accountable for their performance. I don't think that they negatively impact the provider, but rather allow the provider to know their performance and try to improve it" (central government, senior manager 1).

With respect to elderly care providers, one manager from one provider denoted that:

"Some of the electronic systems recently applied by the government helped shorten the duration of government procedures and increased our focus on the service itself" (public service provider 1, manager 1).

However, an accountant from the financial affairs department in the central office remarked:

"I think the contract needs to be reevaluated. For example, the penalties section, in my opinion, has very tough penalties in terms of personal care for the elderly. I think this is one of the things that stops other public service providers from bidding on this contract. In some cases, the public service provider may end up owing the government money, which is not practical and will influence the service delivered" (central office, accountant 1).

This indicates that the government used penalties to force the public service provider to improve its performance; however, as stated by the participant, such financial penalties might be too high and may not only impact the provider's performance, but also prevent other providers from competing for a given contract.

Although some elderly care providers seemed to perceive control systems as enabling, they also saw some of these mechanisms as constraining. A manager from an elderly care service provider complained about payment tardiness, stating:

"The government should pay us in a timelier manner because consistent delays reflect on the quality of our work. All those in the private sector who have contracts with the government are paid through the MoF, which is the main cause of payment delays" (public service provider 2, manager 1).

The above quote implies that the central control of financial payments by the government, in the form of the MoF, might be seen as constraining by service providers.

The following sub-section discusses the main processual/relational dimensions through the lens of ST and examines the variables that were emphasized by the interviewees.

6.5.2 Processual/relational dimensions

As with public transportation, the interviewees were asked open-ended questions related to their opinions of their relationships with each other, how often they communicated with each other, and how they dealt with each other during the contracting-out implementation stage. Several variables and dimensions related to the relationships between actors and levels were stressed. **Table 6.10** below summarizes the variable groups of ST (here used to operationalize the processual/relational dimension) including: structures (signification, domination, legitimization), modalities (interpretative scheme, facility, norms), and interaction (communication, power, sanctions). The total counts of arguments coded were calculated by each group of the processual/relational variables. In addition, an emerging variable, exploitation, was also highlighted during the interviews.

Table 6.10 shows the totals and percentage counts of these variables. Legitimation was the most recurring dimension, having been highlighted 45% of the time that an argument was coded; signification was second with 32%. These percentages were calculated by manually noting when an interviewee emphasized a processual/relational variable in the interview transcript (see Chapter Five). **Table 6.10** also contains the sub-categories that emerged from the interviews.

Table 6.10. Overall frequency of processual/relational variables

Dimensions	Variables	Total counts	Total percentage	Sub-category	Total counts	Total percentage
Structures	Signification	138	32%			
	Domination	99	23%			
	Legitimation	194	45%			
	Total	431	100%			
Modalities	Interpretative scheme	65	26%	Bureaucratic	17	26%
				Law-oriented	6	9%
				Managerial	34	53%
				Open-minded	6	9%
				Risk-averse	2	3%
				Total	65	100%
	Facility	60	24%			
	Norms	126	50%	Rights or obligations	21	17%
				Standards	60	47%
				Values	45	36%
				Total	126	100%
	Total	251	100%			
Interaction	Communication	54	34%	Formal communication	10	19%
				Informal communication	44	81%
				Total	54	100%
	Power	87	54%	Strong power	81	93%
				Weak power	6	7%
				Total	87	100%
	Sanctions/Penalties	20	12%			
	Total	161	100%			
	Exploitation	3	-			
	Total variable counts	846	-			

The mentions of processual/relational variables differed with the level of the actors. **Table 6.11** presents the groups of ST variables across the different levels of government. As displayed in **Table 6.11**, for example, central and local offices consistently emphasized formal communication, while the public service providers did not stress this dimension. This could be because the private sector tended toward a more informal method of communication that occurs every day and in the context of verbal conversation. For example, a manager from public service provider stated:

“We have a representative for the company, and he is working in an office in the MHRSD. The representative in the Ministry and the project manager, who work in

the social care house, are the ones that we communicate with every day regarding anything that we need or that the government asked for" (public service provider 1, manager 1).

Table 6.11. Total frequency of processual/relational variables according to the level of government

Dimensions	Variables	Sub-category (from literature and emerging)	Central government (6 interviewees)		Central elderly care office (6 interviewees)		Local elderly care office (4 interviewees)		Public service provider (2 interviewees)		Total percentage (%)
			Total counts	(%)	Total counts	(%)	Total counts	(%)	Total counts	(%)	
Structures	Signification		54	39%	41	30%	31	22%	12	9%	100%
	Domination		32	32%	45	44%	18	18%	5	5%	100%
	Legitimation		57	29%	69	36%	50	26%	18	9%	100%
Modalities	Interpretative scheme	Bureaucratic	1	6%	11	65%	5	29%	0	0%	100%
		Law-oriented	5	83%	1	17%	0	0%	0	0%	100%
		Managerial	7	20%	15	44%	8	24%	4	12%	100%
		Open-minded	2	33%	3	50%	1	17%	0	0%	100%
		Risk-averse	1	50%	1	50%	0	0%	0	0%	100%
		Total	16		31		14		4		
	Facility		23	38%	17	28%	16	27%	4	7%	100%
	Norms	Rights or obligations	7	34%	2	9%	10	48%	2	9%	100%
		Standards	17	28%	33	55%	9	15%	1	2%	100%
		Values	12	27%	16	36%	11	24%	6	13%	100%
		Total	36		51		30		9		
Interaction	Communication	Formal communication	1	10%	7	70%	2	20%	0	0%	100%
		Informal communication	4	9%	19	43%	16	36%	5	12%	100%
		Total	5		30		17		2		
	Power	Strong power	21	26%	37	46%	17	21%	6	7%	100%
		Weak power	1	17%	5	83%	0	0%	0	0%	100%
		Total	22		42		17		6		
	Sanctions/ Penalties		1	5%	10	50%	7	35%	2	10%	100%
	Exploitation		1	33%	0	0%	2	67%	0	0%	100%

6.5.2.1 Dimension of structures

Structures involve three main dimensions: signification, domination, and legitimization. The total counts of variables related to the structures were 431 times (see **Table 6.10**). Legitimation, as mentioned above, was the variable most often stressed by the interviewees. It was mostly referenced by the central office (36% of its total mentions - see **Table 6.11**). A manager from the

central office described when and how they were legitimated to take action in relation to contract extension:

“Because of our position in the central office, we review whether the contract needs to be extended, for example in cases of emergency circumstances or out of control causes. If there is a valid reason, the contract’s duration can be extended. However, the extension should not exceed 10% of the contract’s value, as stated in the law” (central office, manager 4).

Local offices emphasized legitimization in 26% of their mentions (see **Table 6.11**). A manager from a local office was disappointed to not be able to comment on contracts. He elaborated:

“I think we should be given the chance to write comments on the contract before approving it, because we are the ones who are directly involved in this process of controlling the public service provider. As such, we are aware of the areas that need to be improved in the contract” (local office, manager 1).

The above implies that the interviewee found it delegitimizing for his office to be kept from participating in the preparation of the contract.

Signification, as previously stated, was the second most frequently referred to structural dimension by interviewees across different levels; it was particularly referred to by the central office (30% of its total mentions - see **Table 6.11**). A manager from the central office remarked:

“I would say that I don’t think the relationship between the government and the provider should be strict. If you want, as a government, to be harsh with the public service provider, you will ultimately lose. If you want to apply the terms literally, you will be the loser. This is not only for our contract, but for all government contracts” (central office, manager 4).

The above quote is aligned with the signification variable and indicates that the central office understood and interpreted the contractual relationship between the government and the providers as being flexible. They also seemed to attribute negative meaning and connotations to a possible rigid contractual relationship with the providers, which would result in negative effects for them.

The local offices emphasized signification in 22% of their total mentions (see **Table 6.11**). A manager from a local office stated:

“The core of this service is care, so, in my opinion, the current contract has been impacted by decreasing the allocated amount of money. For this type of contract, it influences the service; this is not like other contracts, it is more associated with humanity. Therefore, I think that this contract needs to be reconsidered, and they need to add more staff, especially medical employees, because decreasing the cost of this type of contract will certainly influence the service that is provided to the residents” (local office- manager 3).

This indicates that the local office conceptualized elderly care service as requiring more support and a sufficient budget from the government in order to enable better service.

Domination was stressed by the interviewees in 23% of the arguments coded (see **Table 6.10**). A manager from the central office provided an example of how the government’s formal position allows them to dominate the provider. He elaborated:

“The provider that the Ministry contracted for elderly care services had no experience with certain tasks. Therefore, the provider implemented sub-contracts with other providers for tasks like elevator maintenance, safety system maintenance, and medical waste disposal. However, such sub-contracts will not be recognized unless the government approves them. We check if these sub-contractors are licensed in this area...etc” (central office, manager 4).

This implies that government is in a dominant position as it must approve all contracts between the provider and any other entities who may work within the scope of elderly care. This suggesting that the government follows these procedures to prevent sub-contracting with ineligible contractors. This was also visible in Article (1/71) of the Public Competitions and Procurement Act, which stipulated:

“The provider may not sub-contract with another contractor or supplier without obtaining written approval from the public entity” (Public Competitions and Procurement Act, 2019, p. 87).

The local office also stressed domination structures over public service providers. A manager from the local office stated:

“I think working together with the provider allows us to closely monitor the service. I think that being in the same workplace as the provider makes it easier to deal with any issues that may occur” (local office- manager 4).

This demonstrates that the local office felt that working in the same place as the provider gave them resources to dominate in terms of dealing with issues quickly.

It can be inferred from the quotes in this subsection that the dimension of structures reflects how the service and control systems is used by the primary actors. For example, in the domination dimension, the control systems appear to be based on laws and regulations. Additionally, interviewees provided reasons for and justifications of how the service should be handled as a legitimating of actions. The structures of signification showed how control systems and the service itself were understood by the interviewees.

6.5.2.2 Modalities (modes of mediation)

The modality variables consist of interpretive schemes, facility, and norms. The total counts of the modalities were 251 (see **Table 6.10**). The norms variable was emphasized by interviewees in 50% of the total coded arguments (see **Table 6.10**). A manager from the central office provided an example of the norms, remarking:

“We have established a standard that information on payments to the public service provider in our internal financial system should match the information in the Etimad platform. No halala (penny) is spent unless it goes through the Etimad platform” (central office, manager 6).

This is consistent with the individual interpretation of norms and demonstrates that remuneration information for providers is expected to match the information on file at the MoF.

A manager from the local office provided another example:

“The operation order that we issued needs to be implemented as it is; for example, if a light with a specific brand needs to be changed, the public service provider needs to bring a new light of the same brand” (local office, manager 4).

The above implies that the provider is expected to follow specific standards set by the government during the implementation stage of the contract.

In terms of interpretative schemes, the interviewees mainly viewed the service and the control systems through the bureaucratic and managerial lenses, which accounted for 26% and 53% of the total mentions, respectively (see **Table 6.10**). A manager provided an example of the procedures as follows:

“We follow financial regulations when reviewing payments to providers. Specific documents, which we call evidence documents, should be attached. They are necessary documents, and the payment will not be processed without them” (central office, manager 6).

This emphasizes the application of financial rules to the processing of payments to providers, which is consistent with the bureaucratic interpretive scheme.

In terms of the managerial interpretive scheme, one manager from the central office described how they deal with elderly care in this regard. He explained:

“We set plans and objectives for this service to make it more convenient for residents. We have learned from our mistakes in previous elderly care contracts. The challenges are now, to some extent, avoided” (central office, manager 4).

The above quote stresses the concepts of building on past events to avoid future problems and making decisions that enable the better provision of the service, both of which are aligned with the managerial interpretive scheme.

The other sub-categories of interpretive schemes (law-oriented, open-minded, and risk-averse) were stressed much less by the interviewees.

Facility was stressed in 24% of the total mentions (see **Table 6.10**). It was referenced similarly by both the central and local offices, with 28% and 27% of the coded arguments, respectively (see **Table 6.11**). A manager from central office noted:

“The public service providers who continuously work with us are given offices within the Ministry. This facilitates communication with them. Those offices are only given to those under large contracts, such as the elderly care contract” (central office, manager 6).

The above quote indicates that the central office considered having offices for providers within the central office to be a key factor in creating smooth communication with elderly care service providers.

The local office used daily reports as facilitators to exercise more control. A manager noted that:

“We perform a daily control over the public service provider. Our staff writes an evaluation of the provider at the end of the day. We do not wait until the end of the month to write reports; these daily reports help us to give the final mark at the end of the month” (local office, manager 1).

Modalities also play a role in explaining how control systems are used or interpreted by primary actors. The interviewees articulated some norms and facility aspects that are used during the monitoring stage of contracting-out. Additionally, the ways in which they think and interpret events with regard to the contracting-out of public service through their interpretive schemes show an association with control systems.

6.5.2.3 Interaction

The interaction variables include communication, power, and sanctions. The total counts of the interaction were 161 (see **Table 6.10**). Power was stressed across all levels, receiving 54% of the total mentions; most of these were in the “strong power” sub-category, which accounted for 93%

of the power variable's total (see **Table 6.10**). A manager from the central office provided an example of how the government has strong power over financial resources. He stated:

“In the past, the Undersecretary told us to stop payments to a public service provider because they were not responding to us. In this way, we forced them to communicate with us because they hadn't responded when we sent them mailings” (central office, manager 6).

The local office exercised strong levels of power over the provider because they monitor the service on behalf of the central office. A manager from the local office indicated:

“We are authorized by the Ministry to, if a provider fails to implement an operational order, do the work on its behalf. The cost of this order will then be taken from the provider's deposit (financial guarantee)” (local office, manager 2).

The interviewees spoke of informal communication more often than formal communication (see **Table 6.10**). The central office stressed informal communication in 43% of the coded arguments, which was higher than either the local office or the providers (see **Table 6.11**). One manager from the central office stated:

“We communicate with the provider if we need to verify specific things. It depends on the case; if it is urgent, we immediately call the provider using their correspondence information, for example, phone” (central office, manager 3).

In a similar vein, a manager from the local office stated:

“We are in direct, daily communication with the public service provider; we have supervisors for care and supervisors for maintenance who work with the provider and follow up with them about the activities, programs, and the daily work” (local office- manager 4).

This indicates that both the central and local offices consistently adopt an informal method of communication with the public service provider.

Sanctions, which took the form of financial penalties, were stressed by the interviewees in 12% of the coded arguments (see **Table 6.10**). These penalties were stressed relatively often by central office interviewees (50% of their total mentions - see **Table 6.11**), while local offices referred to them in 35% of their mentions. This could be attributed to fact that the central office is responsible for making decisions regarding deducting financial penalties from providers' payments. An accountant from the central office stated:

“The manager of the financial department makes the decision to impose penalties on the public service provider based on reports received from local offices” (central office, accountant 1).

A manager from local office provided an example of how sanctions work. He explained:

“If the public service provider doesn't implement an operational order, we will find another company to do the work. The payment for this work will be taken from the provider's financial guarantee (deposit), and we will also impose penalties on the public service provider, mention this information in our reports, and send them to the ministry” (local office, manager 3).

Additionally, a manager of the elderly care service provider provided an example of how penalties were applied by a local office. He stated:

“In some cases, we provide employees that don't have specific certificates that are required by the contract. The central office imposes penalties on us as if there are no employees, which actually impacts our performance” (public service provider 2, manager 1).

Finally, exploitation was identified as an emerging variable, with 67% of its mentions coming from local offices. A manager from one local office pointed out:

“In my opinion, some providers quote a very low price just to win the contract. Then, when it come to the implementation stage, they can't afford to bring in good staff or materials because they already not putting a fair price for the contract. We keep issuing warning letters, but it does not help. Terminating the contract is also not a solution. This issue has to be handled from the beginning” (local office, manager 3).

The above quote shows how some providers can exploit the fact that the government is inherently incentivized by low contract costs. In a similar context, a manager from a local office further described how a contract might be exploited by the provider. He stated:

“When we ask the provider to change, for example, equipment parts, they try to bring parts from different companies that might not be original to reduce the cost. Not everything is written in the contract; the provider may exploit some gaps” (local office, manager 4).

This emerging variable is important because it shows how providers are driven to take advantage of gaps in laws and regulations with the goal of minimizing costs. This will subsequently impact the quality of the service and negatively affect the relationship between the government and the providers for the duration of the contract.

As far as the level of interaction (according to ST) is concerned, control systems are used by actors to manage the day-to-day actions. Communication between providers and central and/or local offices appears to be primarily informal, supporting a more informal relationship. The interviewees' quotes indicate that the government levels exercised more power over providers during their interaction.. Sanctions are used as part of control systems' tools to force providers to improve the quality of their work. Hence, the interaction variables are linked to how the control systems are employed by government to monitor public service providers.

6.5.3 Patterns between control types and processual/relational variables

This section discusses the co-occurrence patterns between control types and the dimensions of the processual/relational variables. These are summarized in **Table 6.12** for all participants (including both government representatives and public service providers). In other words, it mirrors the frequency of co-occurrence between controls and relational variables in the same quote. High co-occurrence between the identified variables was denoted with the symbol (↙), which represents a co-occurrence of 50% or higher (i.e., the percentage of times a mention to controls and relational

variables was made together in each argument). The percentages were calculated in accordance with the relational variables over the total of the type of control (see the co-occurrence table in **Appendix 6**). For example, there were 49 total mentions of action control; the co-occurrence of action control and strong power occurred 37 times, accounting for 75% of the total mentions of action control. Therefore, the co-occurrences were computed based on the total of the controls. All control types co-occurred with the legitimization dimension. One possible explanation for this is the fact that legitimization was the variable that was most often referenced by all participants.

6.5.3.1 Controls and structures

This sub-section presents the co-occurrence of structures (signification, domination, and legitimization) with the types of control. The highest co-occurrence was between domination and result control; this co-occurrence accounted for 78% of the total mentions of result control. For instance, a manager from the central office denoted:

“Our department is responsible for the service, and as part of our missions, we order semi-annual reports regarding the process of the service from the local office. These reports allow to check the output of the service and providers” (central office, manager 3).

Legitimation occurred together with formal control in 77% of the mentions of formal control. A manager from the central office stated:

“We put the local office manager in charge to find a solution when the provider's workers in a social care house don't want to work for some reason. Also, if the provider doesn't bring food for the residents, the local office manager should act quickly to feed the elders in the social care house. I agree that the provider should receive a warning letter, and penalties should be deducted from their monthly payments” (central office, manager 3).

This shows that the local office has legitimization to ensure proper delivery of the service should the provider fail to do so, and that formal control is implemented in the form of financial deductions.

Legitimation was associated with informal control in 72% of the total mentions of informal control.

A manager from the central office remarked:

“As a central office, we have the right to informally contact a local office and ask them to submit missing documents via email instead of writing an official letter to them and bringing the payment request to the social care house. In this way, we can accelerate the process of getting the payment to the provider” (central office, manager 6).

The above quote demonstrates that the central office has the legitimate ability to informally communicate with the local office regarding submitting official documents.

The signification dimension was referenced alongside input control in 54% of the latter’s total mentions. A manager from the local office stated:

“Contracts should be given to us before they are signed with the public service provider because we can review them and provide feedback to prevent the repetition of problems. For example, there should be a variety of nationalities stated in the contract. However, at the same time, the provider is not given enough visas to contract with the same nationalities that are stated in the contract. As such, we have to impose penalties on the provider because they didn’t manage to bring in the exact nationalities stated in the contract” (local office, manager 1).

This demonstrates that the contract can be interpreted as a form of input control to specify a requirement for the provider. Here, the manager indicated that his office needed to be involved in designing and interpreting/providing meaning to contracts in order to avoid potential problems.

The signification dimension was associated with formal control in 52% of the total mentions of formal control. A manager from the central office remarked:

“When the provider does not comply with specific conditions in the contract, we deduct the amount allocated for this condition and impose additional penalties. However, during COVID-19, we just deducted the amount for the condition with no penalties in consideration of this unusual circumstance. We have been told by the MoF that there should be some special treatment during COVID-19, and that we should not impose penalties on the private sector” (central office, manager 6).

This statement illustrates formal control in the form of imposing penalties on a provider when they fail adhere to the contract, but also implies that the government attributed a particular meaning to the importance of the service that led to increased flexibility during the COVID-19 pandemic in the form of not imposing penalties.

In addition to control types, signification was associated with the enabling role of control, with 65% of the total mentions of enabling. A senior manager from the central government remarked:

“We have initiatives to invite contractors from the private sector and listen to them about their problems, including both applying for tenders and during contracting. Having a talk with the private sector will enable us to improve policies related to contracting out and mitigate challenges face by contractors. As you know, the existence of the private sector is very important for the enhancement of the economy” (central government, senior manager 1).

6.5.3.2 Controls and modalities

This sub-section shows the co-occurrence of the variables within modalities (interpretive schemes, facility, norms) and control types. The facility dimension was mentioned together with action control in 59% of the total mentions of action control. A manager from the central office explained:

“In our department [elderly care department], we focus on the quality of the service itself. We do not focus on the contract because there is another department in the Ministry responsible for that. The local office manager sends us reports on the service, including number of residents, activities implemented during the week, and any health issues. These reports are useful for measuring the service” (central office, manager 5).

This quote shows that the elderly care department in the central office depends on certain reports to evaluate the quality of the service; these reports are a means of action control and are used as facilitators to measure the service.

The other modalities (interpretive schemes and norms) were not found to be particularly associated with other control types. However, although the bureaucratic interpretive scheme was stressed a

few times by the interviewees, it was stressed together with the constraining role of control 50% of its total mentions. A manager from the central government stated:

“The government keeps changing and modifying rules and policies related to contracting-out. However, continuing to change these procedures will affect public service providers and constrain their performances, because they will try to follow these policies that they may not be used to” (central government, manager 3).

6.5.3.3 Controls and interaction

This sub-section illustrates the co-occurrence of interaction variables (communication, power, and sanctions) and control types. Interaction means the interplay actions between government and elderly care providers. Power had the highest level of co-occurrence with result control; this co-occurrence accounted for 78% of the total mentions of result control. For example, one manager from the central office stated:

“One comment that we received from the GCA is that the local office gives full marks to a public service provider’s medical staff while also putting an (x) in a different column related to medical evaluation, which doesn’t make sense. We therefore take direct action by informing the local office of this comment so that they can keep it in mind for future evaluation and not repeat the same mistake” (central office, manager 4).

This indicates that the GCA uses result control to monitor the how the local office controls the provider. It also implies that the GCA exercises strong power over both central and local offices and requires both offices to take immediate action to resolve any such issues.

Strong power was stressed alongside action control in 75% of the total mentions of action control. A manager from the central office stated:

“We use monthly monitoring reports to measure the performance of the provider. As per the law, we have the power to terminate the contract if the provider’s performance scores below 70% three times in a row” (central office, manager 5).

The above quote implies that the central office relies on monitoring reports as a way of action control and that the central office has a strong power derived from the law that allows it to terminate the contract if a provider fails to show improvement.

Informal communication was discussed alongside informal control in 52% of the total mentions of informal control. A manager from the local office, for instance, illustrated:

“We have a representative from the company who works here every day, and we communicate with him directly if there are any problems. He has an office here in the social care house. We inform him if, for instance, one of the workers complains that he didn't receive his salary. We also informally communicate with him if someone didn't show up or there are delays on the bus that usually carries the workers to their jobs” (local office, manager 4).

The above statement involves both informal control and informal communication as it implies that the local office adopted informal communication with the provider as a means of exerting informal control over the service.

It is worth mentioning that the sanction variable was not highly associated with any control types. Nevertheless, there was a high co-occurrence between weak power and exploitation, accounting for 66% of the total mentions of exploitation. A manager from the central office remarked:

“Some public service providers try to manipulate and take advantage by making some subcontracts with their own subsidiaries that are not licensed in this specific activity. When you have weak tools or knowledge to detect this, we will not be able to stop this violation” (central office, manager 6).

Table 6.12. Co-occurrence patterns between control types and processual/relational variables

No	Control types and roles	ST variables							
		Structures			Modalities		Interaction		
		Signification	Domination	Legitimation	Interpretive scheme (Bureaucratic)	Facility	Informal communication	Strong power	Weak power
1	Action control	-	√	√	-	√	-	√	-
2	Formal control	√	-	√	-	-	-	-	-
3	Informal control	-	-	√	-	-	√	-	-
4	Input control	√	-	-	-	-	-	-	-
5	Result control	-	√	-	-	√	-	√	-
6	Enabling (role)	√	-	-	-	-	-	-	-
7	Constraint (role)				√			-	-
8	Exploitation	-	-	-	-	-	-	-	√

6.6 CONCLUSION

This chapter analyzed the findings from the semi-structured interviews and documents regarding public transportation and elderly care in Riyadh and Dammam. It identified key themes with regard to control systems, processual/relational dimensions, and patterns between the two. The findings showed that the process of control in the Saudi Arabian public transport and elderly care involve multiple levels of government. Control types were adopted differently depending on the level of government. For instance, informal control was most often stressed by the local offices in both services. However, in elderly care, the central office also adopted informal control most often compared to the central public transport office. The central government tended to employ input control and formal control to monitor the service.

Elderly care is relatively informally monitored due to the inherent difficulty of measuring it; it involves dealing with people who must be cared for 24 hours a day, making it difficult for the government to exert control. Unlike public transportation, sanctions (financial penalties) are calculated based on points in elderly care, whereas in public transport, there were calculated based on the amount of SAR defined in the contractual KPIs. i.e., exerting penalties through formal control.

Legitimation and signification were the most frequently recurring dimensions among the processual/relational variables, meaning that they play a key role in influencing relationships and control systems during the contract implementation stage. The analysis also identified possible patterns between control types and processual/relational dimensions that can assist in answering the research questions of this study. As with public transportation, controls were perceived differently across the three levels of ST variables (i.e., structures, modalities, and interaction) in elderly care service.

These findings would have potential implications on theory, accounting literature, and practice and policy. In terms of theory, results showed that structural variables were mainly associated with controls which means that controls were seen as a structure. This is a potential avenue for future studies to investigate profoundly the association between controls and structures. With regards to accounting studies, these findings explored the associations between controls and relationship between government and providers (from both perspectives) which alert future studies to examine controls from the two parties (government and providers) to better understand the connections and consequences of relational aspects and controls. With reference to practice and policy, the results offered new insights on, for example, the perceptions of implementer of controls (central government) and receivers (local offices and public service provider). This will help understand the controls' roles and their implications on the management of public services. For example, they could have more informal meetings to enable a better relationship with each other.

The last chapter (Chapter Seven) will discuss and interpret the overall findings in light of the proposed theory so to answer the research questions. It will also summarize and conclude this study and offer some potential avenues for future research.

CHAPTER SEVEN

RESEARCH CONCLUSION

7.1 INTRODUCTION

This chapter discusses and interprets the findings from Chapter Six in the context of ST. It also concludes this study by summarizing the main results. As stated in Chapter One, the goal of this dissertation is to explore the various control systems set up by government actors to monitor public service providers. It also examines the relationships between governments and public service providers during the implementation stage of contracted-out public services. The three primary research questions for this study are as follows:

- 1) How are control systems associated with the behavior of government and public-service providers during the implementation stage of contracting-out?
- 2) To what extent do the control systems enable or constrain the ability of public-service providers?
- 3) How are characteristics of the relationship between government and public-service providers associated with the way in which the service is monitored and controlled?

The structure of this chapter is as follows. The next section (7.2) offers a discussion and interpretation of the public transportation-related findings in the context of both the accounting literature and the proposed theory. A discussion and interpretation of the elderly care-related findings in light of both the accounting literature and the theory is then presented in section 7.3. In section 7.4, the key findings pertaining to the research questions are presented. In section 7.5, the study's theoretical, academic, practical, and policy contributions are discussed. In section 7.6, the major limitations of this research are pointed out. Finally, in section 7.7, suggestions for future research are made.

7.2 PUBLIC TRANSPORTATION: DISCUSSION AND INTERPRETATION OF THE FINDINGS

This section discusses and interprets the primary public transportation-related findings in the context of both the accounting literature and the proposed theory. Results were interesting in terms of both the control systems and processual/relational dimensions explored. No differences were found between the two examined cities (Riyadh and Dammam) in terms of either the control systems used or the nature of the relationships between the government actors and the public transportation provider. Formal control, for example, was coded 28 times in Riyadh and 27 times in Dammam while sanctions were coded 12 times in Riyadh and 9 times in Dammam. This may be due to both the similarities in the cities' sizes and the centralized system put in place by the government of Saudi Arabia; essentially, similar rules apply to different regions across the country.

7.2.1 Control systems

It was found that control systems were implemented differently across the various levels of the Saudi government. As shown in **Table 6.3**, for example, input control (Rockness and Shields, 1984) and formal control (Langfield-Smith and Smith, 2003) were the systems most commonly used by the central government; conversely, local offices tended to prefer informal control (Dekker, 2004). One potential explanation for such a divergence stems from the notion that the central government focuses on formal control and input control in order to ensure the validity of all information, both financial and non-financial, pertaining to public contracts; this is essential for accurate decision-making. Additionally, the central government must enforce various regulations related to the contracted-out public services to ensure consistent application throughout the country. Persons at both the central and local levels of government may therefore see these implemented control systems as necessary tools for monitoring the service; as such, their behaviors were driven by the adopted control systems.

Interviewees from the central government defined setting and maintaining rules as the best methods for guaranteeing enhanced management of the service. They indicated that a lack of formal regulation results in public services being managed according to the opinions of the individuals in charge of them. This implies that this level of government is concerned with adhering to the formal regulations and procedures related to contracting-out. Individuals within the central government are attempting to make the provider act more formally. Therefore, individuals within the central government become more supportive of formal control as part of the governance of public services. One manager from the public transport provider denoted that the company is committed to obeying the rules and regulations issued by the government. These results offer an answer to the first research question; it can be argued that controls are implemented regardless of individuals and other levels are affected (e.g., the public transport provider).

Although local offices did not appear to reject formal control entirely, they were more likely to adopt informal control due to their desire to both create a close relationship with the provider and quickly deal with issues during the contract implementation stage. This study also found that meetings between the local office and the public transportation provider are used to clarify and improve the performance measurements (KPIs) by which the public service provider is controlled and evaluated. This result is in line with those of Langfield-Smith and Smith (2003), who found that discussions and meetings between managers at the Central Energy Company and the provider led to the development of performance measures and targets that helped the provider deliver higher quality services. This emphasizes the importance of informal control, particularly in the form of meetings that result in closer relationships and better performances through the creation of common perspectives regarding both the control systems and the service. One manager from the local office indicated that, they directly talk and discuss the state of the service during meetings with the provider. This allowed for informal interaction between the two parties to occur, indicating that the local office implemented informal control and the provider responded well to it.

Considering the first research question, local offices used the informal controls instrumentally to manage the provider. Interviewees from the local office indicated that they often discussed violations committed by the provider with that provider and offered them an opportunity to explain. This adoption of informal control is associated with the behavior of the local office and the provider; they communicate openly and the local office listens closely to the provider's perspectives. Local governments are responsible for the immediate control of the service; this led them to largely depend on informal control mechanisms to enhance collaboration with the provider. This could be due to the fact that informal control results in closer relationships between the government actors and the public service provider, meaning that necessary actions can be taken more quickly. Therefore, the adoption of informal control mechanisms allowed the local office to deal with the provider more closely, resulting in more control over the service.

Another finding that further answered the first research question was related to the provider's behavior. The responses from the local office indicated that the provider's behavior was affected by control systems. For example, interviewees from the local office said that the clarification of contractual KPIs, which are tools of action control (Dekker, 2004), to measure the performance of the public service provider led to clarity in terms of how the quality of the service was defined; this led to improvements in the provider's performance. Actors from the local office found that clearly defining the KPIs changed the behavior of the provider. One manager from the local office indicated that an open dialogue regarding these measurements has increased the provider's trust in the office and made the provider to be more collaborative. Therefore, it can be said that the behavior of the provider was influenced by the way in which the service was monitored. In other words, defining the KPIs evoked responses from the provider that was in line with those specific KPIs measurements.

Although the local office adopted informal control, it also imposed sanctions when the public transportation provider breached its contract. In this regard, the fact that the provider was owned

by the central government seemed not to matter. This result differs from those of Cristofoli et al., (2010), who found that sanctions are rarely implemented in the Italian public transportation sector even though they are defined in the contracts. This difference might be because Cristofoli et al., (2010) only interviewed individuals from the government, while the present study interviewed actors from both the government and the provider. Additionally, officials in the Saudi Arabian and Italian governments could have different perceptions regarding the implementation of financial penalties. For instance, Italian officials might view financial penalties as a last resort while Saudi officials might see them as an essential method for reducing violations committed by the provider. This could be due to the fact that Saudi culture may view penalties as key tools for improving the provider's performance. Another potential explanation is the fact that the Saudi local office might have a different perception of ownership because they are not the central office. Conversely, the people applying penalties in Italy were those who had ownership; perceptions of ownership can vary, even within the same organization, as control moves further away from the central government.

These findings corroborate those of many previous studies in the accounting discipline (Cristofoli et al., 2010; Ditillo et al., 2015). For example, this research showed that the government relies on specific measurements (e.g., KPIs) to control the provider's performance and that inspectors are used to monitor the service on a day-to-day basis. Both of these findings are consistent with the work of Cristofoli et al. (2010), who found that thorough standards were implemented to monitor public transportation in Italy and formalize its control systems. The Italian provider's performance was also evaluated on a regular basis via inspection reports.

The indication that controls were differently applied by various levels of the Saudi government was unanticipated. To our knowledge, such a result has not been found in any previous accounting studies. Prior studies mostly looked at controls within a specific level, such as either the central government (Hyndman and Liguori, 2019) or the local government (Longo and Barbieri, 2013;

Cristofoli et al., 2010); this research, however, examined all the actors involved in the control process, meaning that these findings enhance and refine the previous ones. These differences across the various levels of Saudi government can potentially be explained within the context of their responsibilities; in other words, the positions and roles of the various government actors could affect the ways in which they monitor and control the services. The use of different control systems across different levels of government affects the relationships between the various government actors and the public transportation provider; government actors behave differently depending on the level of government that they represent. It can be argued that government actors have different goals (e.g., enacting rules and regulations) based on the level of government for which they work, which results in the implementation of different control systems. For instance, it was found that the central government was more likely to behave formally due to their priority of implementing rules and regulations while local offices tended to act informally in order to become more intimately involved in the monitoring of the service.

Therefore, based on the above, it can therefore be theorized that certain characteristics of controls are more likely to be associated with certain behaviors or relationships between governments and the provider or vice versa. For example, informal control is more likely to be associated with trust and collaboration while formal control is likely to result in formal actions by the providers and less interactions between parties. These results are aligned with the findings of Das and Teng (2001) who found that informal control supports trust, whereas formal controls undermine trust. However, Edelenbos and Eshuis (2012) found that formal control can harmoniously develop with trust.

In terms of the ‘enabling and constraining’ role of controls (Mouritsen et al., 2001; Ahrens and Chapman, 2004), this study found that perceptions of the role of the control systems also differed depending on the level of government. Overall, control systems were primarily seen as tools that assist in the performance of the service, which is consistent with the findings of Mouritsen et al

(2001). They suggested that a formal system would better enable both control and transparency, increasing knowledge throughout the contracting-out process. These similar perspectives emphasize the ability of robust control systems to enable better service management. Specifically, control systems were seen as enabling better monitoring of the service by the central government, but were seen as a constraint by local offices and the public transportation provider. For example, interviewees from the central government stated that control tools provide the central government with the necessary information and enable more thorough monitoring of the service. Conversely, one manager of a local office explained that intensive control systems might negatively affect the performance of the provider; he mentioned that imposing many penalties puts pressure on the public service provider, resulting in complaints being filed directly to the central office.

From the public transportation provider's perspective, the control systems that they implemented themselves were primarily seen as an enabling tool; one manager said that they allow the providers to check the quality of the service being provided by their staff. However, they saw control systems implemented by government as restrictive in that they mandate the involvement of several public entities in monitoring the service. For instance, one manager from the provider felt that other public entities hindered the service with their many on-site administrative procedures and financial sanctions. This implies that the provider would prefer to be monitored by a single public entity. It can therefore be theorized that all parties will be both more trusting and more satisfied when control systems enable both the better management of the service and the ability of public service providers to deliver the service. However, when controls restrict the performance of providers, conflict and a lack of collaboration emerge.

This contributes to the answering of the second research question. This divergence in the perceptions of the central government and the local offices could be due to the fact that the central government sets the control systems while the local offices are in charge of their day-to-day implementation, meaning that local offices may experience issues that the central government is

unaware of. For example, when the local office sticks to the letter of a contract by applying penalties, they may end up restricting the service. These financial penalties could even result in the provider being unable to meet other expenses. In turn, the local office tended to be more flexible and discussed penalties with the transport provider prior to their implementation. One manager from the provider said that any financial penalty will negatively affect their performance. He explained that when being notified about penalties, we discussed them with the local office, which help in directly talking and justifying our actions and working together as close partners, as the manager said. This flexibility would, in turn, influence the behavior of the provider and help both parties trust each other.

Therefore, it can be said that the goal of the central government in adopting controls is enabling the management of the service. This results in the rapid detection of any issues with the service and creates the ability to fix them. As such, control systems assist the provider because they regulate and enable the service. However, intensive control systems stemming from different public entities are more likely to undermine the service because the provider is less likely to be able to meet various requirements from different entities. These results are essential because they define the ways in which key actors involved in contracted-out public services view control systems. They also contribute to the accounting literature by exploring the role of controls (Mouritsen et al. 2001; Ahrens and Chapman, 2004) through both the government and provider perspectives in the context of Saudi Arabia. In essence, control systems are more likely to add value by enabling the management of the quality and performance of the provider, unless they are associated with intensive practices, possibly imposed by different levels, that could constrain the ability of the provider. The constraining generated by the multiple levels of control would distract the provider from focusing on the core work, and therefore discourage the ability of the provider from delivering the service. This result introduces another dimension to the dichotomy of “constraining

vs enabling”, which differentiates behaviors and consequences on the basis of how many levels of controls are involved.

7.2.2 Processual/relational dimensions

The results of this study showed that some processual/relational dimensions (operationalized here through the use of ST) play important roles in characterizing control systems between government and provider. The structure variables (legitimation, signification, and domination) were stressed most often by interviewees, accounting for 56% of mentions, as compared to modalities variables at 24% and interaction variables at 20%.

Among the structure variables, the frequent stressing of legitimation was unanticipated (see **Table 6.4**), particularly because prior accounting studies showed that legitimation was stressed at a rate that was similar to other structures (Ahrens and Chapman, 2002; Scheytt, Soin, and Metz, 2003). One possible explanation for this is that the interviewees were expected to describe controls currently in place, rather than justify their use of them. The interviewees stressed legitimation to justify the controls and the actions that should be taken in the context of contracting-out. For example, a manager from the central office stated that the central government decided to move from labor-based contracts to performance-based ones to reduce costs. This result is related to one of the earliest contributions of Macintosh and Scapens (1991) to ST; their findings revealed that management accounting control systems give legitimacy to the actions and interactions of managers throughout the organization because accounting systems establish standards and principles regarding what should be counted, what should happen, what is considered fair, and what is considered essential. The interviewees from the government referred to legitimation to justify the control systems in place, while the provider stressed legitimation to facilitate the service from the government (i.e., being supported by the government). For instance, the provider indicated that meetings with the government were useful and should be continued to promote coordination. These differences in the ways in which legitimation was perceived by the government

and the provider offer more nuanced evidence in this regard as previous accounting research primarily focused on government perspectives (Ditillo et al., 2015).

As shown in **Table 6.4**, another key finding involved the stressing of the signification variable (Giddens, 1984). The meanings (attributed by the different actors) that this study identified were related to control systems, services, and relationships. For example, actors from the central office saw themselves as supporters of the service; if the service was not being properly provided, they were not doing their jobs well. The interviewees gave meaning to the service in the first place. The way that the central office signified the service was different from the local office. Local offices understood control systems as important elements for overseeing the provider's performance; contracts and frequent meetings were particularly meaningful tools in this regard. Therefore, the local office attributed mostly meanings to the control systems, while the central office attributed them to the service itself. In terms of the public transportation provider, the signification variable was mostly used to attribute meaning to the service and relationship government levels; similar results were not observed in previous accounting studies (Englund and Gerdin, 2008; Dillard, Rogers, and Yuthas, 2011). The different signification that key actors gave to the service and control systems also affected their perception of those control systems. For example, as one manager from the central office stated, the central office intervenes and solves problems on the public service provider's behalf. This involvement spares the provider from other implications of control systems (i.e., penalties). A study by Parker and Chung (2018) found that the programs implemented by the central government of Singapore to manage and control hotels particularly aligned with the signification and legitimization structures and promoted social and environmental values at multiple levels across the organization. The similarity between these results and those of Parker and Chung (2018) confirms the relevance of legitimization and signification in terms of influencing control systems. Therefore, this study contributes to the accounting literature in the form of its finding that people attach different meanings to a contracted-out service based on their

level of involvement with that service, which could affect the design and implementation of control systems. It can therefore be argued that, based on significations attributed by actors, the perception of controls was more important at the local level as compared to the central level.

The domination variable was mainly associated with the mention of government (Parker and Chung, 2018), as the government dominates the provider throughout the contract monitoring process. For instance, as stated by one senior manager, the central government both decided what information should be in the contract and took actions that were not necessarily mandated by the contract. This domination structure affects the implementation of control systems because the government is authorized to exert input control over the contract; government actors also conduct procedures that are not specified therein thanks to their position. Local offices dominated the provider in the form of inspection resources and inspectors that monitored the service daily. A previous study by Conrad (2005) indicated that both accounting systems and accountability were used by government actors and regulators to dominate the gas industry. These results are in line with those of the current study, as evidenced by the control systems used by the Saudi government to dominate the service. This result contributes to both the accounting and ST literature because it offers a survey of domination across multiple government levels; overall, central government domination resources and position were found to be the strongest and allowed that level of government to subsequently carry out actions that are not specified in contracts.

Another important finding involved the frequent stressing of modality variables (interpretive schemes, facility, and norms) (see **Table 6.4**). In terms of norms, they were most visible in the results when interviewees stressed, “the actualization of rights and enactment of obligations,” (Giddens 1979, p. 86); this includes standards, values, rights, and obligations. For example, some interviewees explained that they used written standards in the contract and expected the provider to comply; this type of action is part of the norms variable. The personal norms were translated into written (but not only) standards that the provider was obliged to follow; this shows the

relevance of personal norms in the process. Personal norms are the interpretation of those norms by other parties formally or informally. This finding is consistent with those of Dillard, Rogers, and Yuthas (2011), who found that personal norms directed individual actors and eventually created changes within organizations. The facilities variable was also stressed by the interviewees (see **Table 6.4**). For example, the central government used an electronic platform (Etimad) to facilitate compliance with the contract while local offices used both Etimad and internal financial systems to monitor the contract and the provider. The use of electronic monitoring systems was examined in a study by Coad and Herbert (2009), who pointed out that intranet and ERP systems were used by the company to facilitate the performance reports and control business procedures. Interpretative schemes (the combination of the interviewees' knowledge and values) existed within a bureaucratic interpretative scheme in which they ensured that the provider adhered to the contract's terms. For instance, a manager from the local office indicated that the provider should work to ensure compliance with a contract and its specifications. This finding is consistent with several interviewees' stressing of norms, laws, and regulations in this study. However, elements of a managerial interpretive scheme were also found; these included the observed focus on objectives and incentives to increase the performance of the public transportation provider. For instance, a manager from the local office emphasized the use of incentives and revenue, which is consistent with the managerial interpretive scheme, to motivate the performance of the provider. The results indicate that interpretative schemes are likely to affect the way in which government actors deal with both providers and the application of control systems.

The interaction variables (communication, power, and sanctions) were also stressed by interviewees (see **Table 6.4**). With regards to power, it was found that the central office had a power-based relationship with the local office such that the central office was the regulator and the local office exercised direct control over the provider. The central office obtained the power to regulate the transportation sector throughout the country from the central government. The local office, in

turn, was empowered by the central office to monitor the performance of the public transportation provider. The power moves down from the top; the local office used power to exercise control over the provider during their interaction. In terms of communication, the relationship between the central and local offices depended on communication channels; interviewees (primarily those from local offices) tended to stress informal communication as they felt that this method assisted in the maintenance of a close relationship between the government and the provider. Finally, sanctions were implemented in the form of financial penalties when the provider failed to comply with the contract.

It is somewhat surprising that interviewees stressed the emerging concept of exploitation (which involves any negative behavior by which public service providers might take advantage of the government's regulations or control systems) frequently (see **Table 6.4**). Previous accounting literature (Cristofoli et al. 2010; Ditulo et al. 2015) did not find many examples of this behavior in the context of contracted-out public services. This variable might have unexpectedly emerged due to the fact that the government owns the public transportation provider in Saudi Arabia. As stated by some interviewees, the provider could potentially exploit the lack of training and experience of low level government workers; such behavior would then damage the relationship between the government and the provider. This could be due to the possibility of these behaviors being more likely to occur when individuals with control over the service are not provided with sufficient training.

Examining all of ST variables together, legitimization was seen to be recognized, interpreted and actioned through specified norms that the provider must comply with in order to avoid fines. Additionally, signification (meanings) that the local office attached to the control systems were characterized by the bureaucratic interpretive schemes through which both parties communicated. There was also a connection between norms and bureaucratic interpretive schemes as both focused on formal rules and regulations. It was also found that the domination structures were facilitated

differently across the various levels of government. This finding adds to the accounting literature on ST by clarifying: how the key actors in the contracting-out process interact with each other, and their perceptions of the public transportation service and the relative control systems they put in place.

7.2.3 Patterns between control systems and processual/relational dimensions

In order to answer the third research question more specifically, the study carried out the analysis of the co-occurrence patterns emerging between the different control types and the identified dimensions of the processual/relational variables. The results are an original finding that contributes to both the accounting literature and ST. The control types were seen to co-occur differently with the various levels of the ST variables (structures, modalities, and interactions), indicating a relationship between control mechanisms and processual/relational variables. It is worth noting that previous accounting studies did not explore control systems and processual/relational variables together; they were mostly examined separately (Scheytt, Soin, and Metz, 2003; Conrad, 2005; Parker and Chung, 2018).

As shown in **Table 6.6**, control systems were found to be mostly associated with structures variables, rather than modalities and interaction variables. For instance, patterns were found between legitimization and input control, formal control, and action control; this means that legitimization tended to be more present when interviewees talked about these control forms. Signification was associated with both input control and informal control. The interviewees discussed the importance of these means of control (input and informal controls) which showed how they understood the said control systems. The domination variable only mostly co-occurred with result control. The interviewees attributed domination more frequently when discussing the use of result control (Dekker and van den Abbeele, 2010).

Modality variables, by contrast, were not often coded together with any control type, suggesting little association between the two. One exception was the co-occurrence between facility and result

control, which may be due to the fact that result control depends on the method used to measure the quality of the public transportation service. The sub-category of norms, also defined as standards, was most often stressed alongside the enabling role of control systems. This linkage could be due to the fact that public transportation is measured using formal, specified standards that were seen as a tool that helped government actors control the service.

In terms of interaction variables, informal communication only co-occurred with informal control; this can be explained by them sharing similar characteristics. The “strong power” variable was associated with action control, which shows that government interviewees felt that this type of control allowed them to exert more power over the service. Sanctions were only associated with the constraint role, which may be due to the general perception that sanctions may actually undermine the quality of the service.

The observed co-occurrences between the ST variables (structures, modalities, and interaction) and the control systems are key to answering the third research question, which is related to the association between key actors’ relationships and their perception of control systems. The frequent co-occurrence between control systems and structures variables, as compared to modalities or interactions variables, seems to indicate that the interviewees perceived the control systems to be primarily structures. Specifically, the relationship between the government and the provider is governed by the control systems, which are seen as a general structure that controls the service. Additionally, as mentioned above, modalities and interaction variables were not particularly associated with control, which reinforces the notion that this study’s interviewees perceived control systems as structures; this finding differs from previous research. In particular, Busco (2009) suggested that management accounting systems can be seen as an interpretative scheme that balances the structure of significance and social interaction in the context of the manager-to-manager relationship. Conversely, these findings show that individuals in the public sector understood and interpreted systems mainly via structures; this, in turn, offers a greater

understanding of how they interacted with the provider. For example, informal control was frequently mentioned by interviewees; those same interviewees also frequently offered signification (meanings) as the reasoning for interaction with the provider.

The relationship between the government and the public transportation provider can be defined as a result of interpretations and interactions where the interpretation of control systems as structures of meanings and legitimization particularly affected the relationship between the government and the providers. People attach different meanings to a contracted-out service based on their level of involvement with that service. For example, the local office focused on the importance of using informal controls which result in an open discussion and close relationship with the provider. Interviewees, particularly from the central government, legitimated their use of formal controls which led to formal acting by the provider, and a lack of close relationship between these two parties. These results offer an answer to the third research question; in sum, certain meanings (e.g., the importance of controls) are particularly associated with certain controls (input and informal controls). This means that the perception of interviewees focused on the importance of the existence of these controls and perhaps enforce using them throughout the duration of the contract. Certain uses of control systems (e.g., input, formal, and action controls) were legitimated more by the key actors. This association indicates that the interviewees both justified the use of these controls over other methods and were convinced that these methods were suitable for this type of service. The association between result control (e.g., annual/semiannual reports) and domination structure indicates that this type of control is seen as a key to exercising more dominance as it provided the government with necessary information about the service. The association between facility and result control also reinforces the notion that the government considered result control as a facilitator to control the service. The association between standards and the enabling role of control indicates that the use of specific standards contributes to better monitoring of the service. The association between action controls (e.g., KPIs) and strong power

means that this type of control was seen as an important aspect of controlling the service. The association between financial penalties and the constraining role of control indicates that penalties are more likely to negatively influence the relationship between the government and the provider, which might ultimately undermine the ability of the provider to deliver the service.

This research attempted to build on previous accounting papers that examined control systems and ST in order to define any existing patterns between these variables. As seen above, specific ST variables, which are used here to operationalize processual/relational variables, were found to be associated with specific characteristics of control systems. However, it is important to note that the ST-based results of this thesis were defined in the case of Saudi Arabia alone. Different outcomes might be seen when applying similar theoretical concepts in a different country. A study conducted by Scheytt, Soin, and Metz (2003), for example, found that the characteristics of control systems were different in different countries, most likely due to differences associated with cultural practices and the perception of control systems. In this way, Saudi Arabian culture clearly affected the control systems in the context of contracted-out public services.

7.3 ELDERLY CARE: DISCUSSION AND INTERPRETATION OF THE FINDINGS

This section discusses and interprets the primary findings in relation to the accounting literature and the proposed theory in the context of elderly care. As in the case of public transportation, no differences were found between the chosen cities (Riyadh and Dammam) for similar reasons.

7.3.1 Control systems

Also in this context, control systems were applied differently depending on the level of government. As with public transportation, the modes of control within the central government focused largely on formal control and input control as opposed to result control (Longo and Barbieri, 2013) (see **Table 6.9**). This is consistent with the traditional public administration model, which calls for formal control mechanisms and a focus on input control (Pollitt and Bouckaert,

2011). However, central and local offices seemed more likely to monitor elderly care providers using informal control (Dekker, 2004) (see **Table 6.9**). This could be due to the fact that each level of government has its own functions and responsibilities and is defined by its distance from the day-to-day process of monitoring public service providers. The central government, for example, is particularly concerned with designing ways to formally regulate the service; this includes establishing financial management systems and enacting laws and regulations. This makes the individuals within the central government more likely to ensure that providers act formally as well. Although the central elderly care office utilized formal control, it has also adopted informal methods; for example, individuals from both parties (the central office and public service providers) informally meet to discuss the service. The local office was found to be physically closest to the elderly care providers as they work in the same social care houses; this promoted the implementation of informal control. As in the case of public transportation, this research examined all the actors involved in the control process of elderly care, a field that has not been previously discussed in accounting studies to date.

The central office gave elderly care providers offices within their premises, indicating the adoption of informal control in the form of the potentially immediate reach of the providers. Thus, the position of the central office inspired the form of control that was implemented. For instance, a manager from the central office stated that they met with the provider to rectify any issues and clarify any vagueness in the contract. In sum, both parties behaved in accordance with informal control; the central office acted informally as per the informal control systems that they adopted. A manager of one elderly care provider noted that having a representative within the central office enabled collaboration and encouraged open discourse between the government and the provider. In addition, the local offices of the central government existed within the social care houses in which providers rendered their services. Employees of both the local office and the providers worked together and chatted daily, removing the need for a more formal channel of

communication. As a consequence, the local office tended toward a more informal control method for monitoring the providers' performance. Therefore, the role and the position of the local office was the main reason behind the implemented informal control. A manager from the local office indicated that they consistently met with the provider to ensure the quality of the work. This highlights the connection between behaviors of the local office and adopted informal control.

Although the local office frequently behaved informally with the elderly care provider, they were required by the central office to use formal performance measurement indicators (Henri, 2006). For example, a manager from the local office stated that they used KPIs to measure the performance of the provider, and that there are monthly reports that list the standards for every service and whether or not the provider met them. After these reports were completed, they were sent to the central office. Thus, the local office responded to the control systems enforced by the central office. A manager of one elderly care provider said that some KPIs were difficult to meet because the situation was out of control; penalties were imposed despite the fact that the provider attempted to communicate with the central office and provide alternative solutions.

Another key role of the central government is the formalization of the service, which includes the use of both input control and formal control to oversee the service's general framework and expenditures. For example, a manager from the central government expressed concern regarding the safeguarding of public funds; with this in mind, they designed relevant documents, specifically the performance evaluation forms used by public entities, to measure the providers' performance. However, one manager from the provider remarked that they found it difficult to follow all of the rules and regulations set by the government, which ultimately led to financial penalties.

Although elderly care was mainly characterized by formal control and action control, both the central and local offices seemed to also rely heavily on informal control mechanisms (see **Table 6.9**). This result contradicts a previous study carried out by Ditillo et al. (2015), who found the Italian at-home care sector to be prone to adopting hierarchy-based patterns of control based on

specific standards and detailed rules to monitor the public service provider. This difference might be related to the opinions of those who designed and implemented the control systems, and their own understandings of which control forms would be better for monitoring this type of service. For example, Saudi managers from both central and local offices agreed that informal control is useful for overseeing elderly care providers. Another possible explanation is that the Saudi officials used informal control to compensate for difficulties in managing the service while the Italian officials considered the bureaucratic form of control to be an essential part of the control process. It is worth noting that 96% of at-home elderly care in Italy is provided by non-profit entities (Ditillo et al. 2015) while 100% of elderly care in Saudi Arabia comes from privately owned companies. Although the method of delivery is different between the two countries, the results are comparable as the mode of delivery may not be associated with the implemented controls.

One noticeable similarity between these findings and previous accounting studies involved the use of a variety of control systems to monitor the performance of public service providers. For example, action control and informal control, among others, were used to oversee elderly care service providers in Saudi Arabia. This finding is in line with that of Johansson et al. (2016), who showed that entities in the public sector both utilize performance measures to monitor contract execution and other control-related issues and implement action control and informal control to attempt to regulate providers' behavior more proactively and directly. The present study also found that the tools used to monitor elderly care included formal control (e.g., the application of a sanction when providers did not comply with the contract) and action control (e.g., monthly reports on the providers' performance). These types of control mechanisms were also observed by Cristofoli et al. (2010), who indicated that the elderly care contracts contained sanctions in cases of failure to meet the standard requirements. Contracts were monitored in the form of monthly reports on providers' performance. This study adds to the accounting literature by providing

further insight into the association between control systems and the behaviors of both government actors and public service providers.

The above results offer an answer to the first research question; it can be argued that adopting different control types at different levels of government was associated with the different behaviors of both the government actors and providers. In the context of elderly care, central and local offices tended to focus largely on informal mechanisms as compared to public transport. It was also observed, however, that the central government was more likely to implement formal control in order to entice the provider to behave formally. As a consequence, providers might find it challenging to implement and follow the required formal controls because they were relatively strict which results in negative implications on providers. Furthermore, elderly care providers were unable to implement some KPIs (action controls). Even though the providers explained why they were unable to comply with these measurements, they were still penalized. Conversely, central and local offices and elderly care providers seemed to favor informal control as it created a friendly environment in which both parties were able to be more open to each other. It can therefore be theorized that certain controls (formal and action control) are likely to be associated with both formal actions by the providers and reduced collaboration between parties while informal control is more likely to be associated with trustworthiness and more interactions between involved individuals.

In terms of the ‘enabling and constraining’ roles (Mouritsen et al. 2001; Ahrens and Chapman, 2004) of the control systems, this study found that they were interpreted differently by different government actors. In this context, control systems were primarily seen as enabling the delivery of the service rather than constraining it, particularly by the central government (see **Table 6.9**). For example, a senior manager from the central government mentioned that the different procedures implemented by the government to monitor the service aim to ensure that everything is working as it should and hold the provider accountable for its performance. He added that these control

systems help providers better understand their performance so that they can try to improve it. One possible explanation for this perception is that the central government advocates for these control systems because it created them. This result is consistent with the findings of Ahrens and Chapman (2004), who found that a combination of different control systems enabled increased service performance in the private sector. With respect to elderly care providers, one manager from one provider noted that some of the electronic systems recently applied by the government helped shorten the duration of procedures and increased focus on the service itself.

It is important to note, however, that though the central office considered control systems to be enabling actions, they also viewed some of them as constraints. This may be because the central office did not find formally implemented control systems (e.g., overestimated financial penalties) to be useful for the provision of this type of service. One accountant from the central office commented that the elderly care contract should be reevaluated, particularly the penalties section, which could result in the public service provider owing the government money; he found this to be impractical and a potential detriment to the quality of the service. The local office saw the control systems as enabling the actions of the providers, which could be due to the fact that the local office is in charge of immediate control, meaning that informality is effective. A manager from one elderly care provider said that multiple control systems (e.g., reviewing payments across different government levels) constrained the quality of their work and affected their performance. For instance, checking monthly payments in the local office, then in the central office, and then in the MoF led to payment tardiness, which negatively affected the quality of the service. Conversely, in case of public transport, payment orders went directly from the local office to the MoF, allowing for quicker payments; it is worth noting that local offices have their own allocated budgets in the public transportation sector while the budget is centrally allocated to the MHRSD in the elderly care sector.

The discussion of the above results provides an answer to the second research question. It can be argued that the central government perceived control systems as essential tools in enabling the provision of the service such that providers stay informed regarding their performances and can try to improve them; they also experience increased accountability. Elderly care providers seemed to be satisfied with this, particularly because the new electronic control systems led to reductions in government procedures and allowed them to concentrate on providing their core business. Furthermore, as stated by actors from the local office, the control systems (particularly informal control) enabled the monitoring of the providers' performance. However, the intensive use of formal control, in the form of applying overestimated penalties, would render the providers unable to deliver the service. Control systems could also restrict the ability of the providers to do their jobs if various formal control mechanisms are applied at different levels of government. Based on these perspectives, it can therefore be theorized that both government actors and providers will be satisfied when controls enable the provider to deliver the service; however, it is more likely that the service will be undermined, creating a less collaborative relationship, and ultimately a potential conflict, when controls restrict the service. It can be also theorized that the interpretation of the roles of control changes depending on the level. The central implementer of controls perceives them as enabling while receivers tend to see them much more as constraining regardless of position.

The answer to this research question adds to the accounting literature by shedding light on the perspectives of multiple levels of government, as well as the elderly care providers, toward control systems, which expands the understanding of the different roles of control systems in the context of contracted-out public services. However, it is important to note the possible biases in these positive perceptions toward control systems as government actors might be inclined to praise the control systems because they established and implemented them.

7.3.2 Processual/relational dimensions

In terms of processual/relational dimensions, these findings revealed that some of these variables were strictly linked with the control systems. As in the case of public transportation, overall the structure variables (legitimation, signification, and domination) were stressed most often by interviewees, accounting for 51% of mentions, as compared to modalities variables with 30% and interaction (relationship) variables with 19%.

One unexpected finding was that the legitimation variable was expressed more than other structure variables (see **Table 6.10**); the interviewees were expected to discuss the implemented control systems rather than justify their usage. The central office offered justifications for their implementation and use of control systems. For example, one manager from the central office stated that he decides whether elderly care contracts should be extended because of his position, which legitimizes the central office's decision (Ahrens and Chapman, 2002) to extend the contract. However, the local office found it delegitimizing that their office was kept from participating in the design of some control mechanisms. For example, a manager from the local office mentioned that they should be given the chance to comment on the contract before its approval because they are the ones who directly control the public service provider, and could therefore offer potential improvements to the contract.

The signification variable was also frequently stressed by interviewees, showing that different meanings (Dillard, Rogers, and Yuthas, 2011) were given to relationships, services, and control systems. For example, the central office understood that the contractual relationship between the government and the providers should be flexible. In other words, they recognized that being strict would result in negative implications for this type of service. A manager from the central office said that they would ultimately suffer if they were to apply the terms of the contract literally. One possible explanation for this could be fact that the central office considered this service to be untraceable, meaning that it is difficult (Johansson and Siverbo, 2018) to define and track each

service provided by the provider; this implies that flexibility is essential. This differs from the opinion of the central public transportation office, which is concerned with supporting the provider; the central elderly care office is more focused on the nature of the service itself. The local office understood that elderly care requires more government support; a sufficient budget is a key to providing the best service. These different perceptions of and meanings given to the relationships, services, and control systems had not previously been examined across different levels of government in the accounting literature (Englund and Gerdin, 2008; Conrad, 2005). Therefore, this study adds to the literature in its finding that individuals at a given level (or in different public entities) attach different meanings to public services, which may affect both the design and implementation of control systems and the ways in which individuals from different government levels interact with providers. For example, the central office actors perceived the service as it entails more flexibility with elderly care providers, and as a consequence, this enhances close relationships and frequent interaction between the two parties. The perceptions of the local office were focused on sufficient financial support to ensure the better delivery of the service.

Like in public transportation, the domination variable was primarily associated with the government. Domination structures were particularly found to be utilized by the central government to control elderly care services. For example, the central office approved all relevant procedures. A manager from the central office said that they had to approve all sub-contracts between elderly care providers and any other entities who may work within the scope of elderly care. One possible explanation for this involves the government's desire to prevent mistakes. These findings seem to be consistent with research conducted by Macintosh and Scapens (1991), which found that accounting systems are able to provide domination structures within the organization; in this way, management control can influence organizational change. One possible justification for these similar perspectives is the framing of accounting and control systems as devices to give the management/government increased domination over the service. The local office dominated

elderly care providers by working in the same place as them, enabling the office to monitor the providers' performance and deal with any issues quickly. This differs from the local public transportation office, who dominated the public transportation provider through the presence of inspectors. Domination structures may therefore differ depending on the type of service.

Another key finding involved the frequent use of modality variables (interpretive schemes, facility, and norms) by the interviewees (see **Table 6.10**). For example, the central office stressed the establishment of some specific standards (norms) to control the expenditures involved in elderly care contracts. A manager from the central office mentioned that they established a standard to ensure that the information on payments to public service providers in their internal financial system matched the information in the Etimad platform created by the MoF. The local office also developed certain standards for providers to adhere to. For example, a manager from the local office said that when an operation order was issued, it needed to be implemented as described in the operational order (i.e., to the same specifications). They reinterpreted this regulation as the reason for their action, which reinforced bureaucratic ways of thinking and controlling; these methods are aligned with the use of both bureaucratic interpretive scheme and bureaucratic control (input control and action control). This means that both the central and local offices focused on norms to manage expenditures and operational matters not directly linked to caring for elderly residents. In sum, the contract translated norms into evaluation criteria for daily actions (Dillard, Rogers, and Yuthas, 2011).

In this context, interpretive schemes were found to show elements of both bureaucratic and managerial ideas. With respect to managerial schemes, one manager from the central office denoted that they set plans and objectives for this service to make it more convenient for residents. This is noteworthy as the two interpretive schemes coexisted here, while the public transportation cases tended to be mainly bureaucratic. This might be related to the nature of the service as, although there are bureaucratic norms regarding regulating expenditures and operational procedures in the

elderly care sector, the service itself is difficult to control through rules and regulations (Johansson and Siverbo, 2018; Brown and Potoski, 2004). Previous literature has also shown that this affects the choice of control systems implemented during the contract execution stage (Cristofoli et al. 2010; Brown and Potoski, 2003a). In this specific case, managerial interpretive schemes contributed to a focus on setting goals and creating strategies for working with elderly care service providers as partners in delivering the service. This, in turn, allowed government actors to use more informal control systems and be more flexible with providers regarding regulatory decision making (Conrad, 2005).

In terms of the facility variable, smooth communication between the central office and elderly care service providers was facilitated by giving providers offices within the central office. A manager from the central office indicated that providers who continuously work with the ministry are given offices to facilitate communication; this indicates that the central office used its “resources” as facilities (Busco, 2009) in order for individuals from both parties to communicate more easily. The local office relied on reports to monitor the service. For instance, a manager from the local office stated that daily reports helped them accurately evaluate the providers each month. These regular reports allowed the local office to exercise more control over the providers’ performance.

Finally, as far as the interaction variables (communication, power, and sanctions) are concerned (see **Table 6.10**), it was found that the central office often exercised strong power throughout the contract. This includes, for example, stopping payments to a public service provider to entice the provider to respond to correspondence. Power-based relationships were utilized by the central office to obtain their desired outcomes (Parker and Chung, 2018). The local office exercised power over the provider because they monitored the service on behalf of the central office; the power moved down from the top. This result was in line with a study conducted by Scheytt, Soin, and Metz (2003), who showed that control systems in the UK were empowered at multiple levels within the government. In terms of communication, responses (particularly those from the central and

local offices) mostly stressed informal communication channels (Ditillo et al. 2015). This may be because informal communication was particularly useful for this type of service as it allowed for more open channels between government and the provider. However, as with public transportation, sanctions were present in the form of financial penalties upon the provider's failure to comply with the contract's terms, rules, and regulations. This is in line with a study by Macintosh and Scapens (1991), who noted that sanctions can be used to penalize other actors for not committing to codes of conduct.

One finding related specifically to exploitation was particularly surprising (see **Table 6.10**), perhaps because such exploitative behavior was not expected in a humanity-based service. This variable was not discussed in previous accounting studies that explored the control of contracted-out elderly care services (Cristofoli et al. 2010; Ditillo et al. 2015; Johansson and Siverbo, 2018). According to the interviewees, exploitation could occur via the submission of an unrealistically low contract price by a provider simply to win the contract. The provider could also take advantage of gaps in laws and regulations in order to minimize costs. This behavior could then impact the quality of the service and negatively affect the relationship between the government and the providers throughout the contract. It is interesting to observe the emergent variable exploitation in both of the selected services, which may indicate that such behavior is relatively common in the context of contracting-out, or at least in the current context. This finding contributes to the accounting literature by expanding the understanding of potential variables that might come into play during the outsourcing of public services.

When looking at all of the ST variables together, it can be seen that the signification (meanings) given to both the service and controls were consistent with the adoption of informal communication channels. Legitimation was actioned through norms (specifically for expenditures and operational procedures) such that sanctions are applied when the provider fails to comply with the contract. The domination structures were facilitated by resources (offices for providers at the

central office) and reports by the local office to allow communication and the exercising of power over the providers. This finding contributes to previous accounting and ST literature by providing further insight into how the key actors in this context interact with each other, their perceptions of elderly care, and relative control systems.

7.3.3 Patterns between control systems and processual/relational dimensions

Some unexpected and noteworthy results were found in relation to co-occurrence patterns between the different control types and processual/relational variables (see **Table 6.12**). The control types were seen to co-occur differently with the various aspects of ST (structures, modalities, interaction), suggesting that a relationship exists between the control mechanisms and processual/relational variables. As mentioned in sub-section 9.2.3, previous accounting studies did not examine control systems and processual/relational variables together, only individually (Scheytt, Soin, and Metz, 2003; Conrad, 2005; Parker and Chung, 2018).

Legitimation was found to be associated with action, formal, and informal controls, while in public transportation, legitimation was connected with action, formal, and input controls. This co-occurrence may exist because greater legitimation was offered by interviewees as a justification for the implementation of these control systems. Signification was often stressed together with both input and formal controls, possibly because the interviewees provided certain meanings (e.g., the necessity of applying controls) when discussing these types of controls (Parker and Chung, 2018). However, unlike in the case of public transportation, signification was associated with the enabling role of control systems, which may be due to the interviewees' wider perception of controls as enabling the process of providing contracted-out elderly care services. Domination structures co-occurred with both action control and result control, indicating that both bureaucratic and managerial control types (expressed as action and results controls, respectively) were associated with the identification of a structure aimed at exerting domination, usually over the provider. In general, control types were more associated with structure variables than with modality or

interaction variables, which is consistent with the public transportation results. This reinforces the notion that control systems are seen as structures that regulate and affect the different services.

The modality variables (interpretive schemes, facility, and norms) were only seldom associated with control types (see **Table 6.12**). However, there was a clear co-occurrence between facility and both action control and result control. One possible reason for this is that the use of both result control and action control rely on specific tools used to measure the providers' performance (e.g., KPIs and reports). Therefore, both action control and result control are most often associated with methods for allocating resources toward monitoring the service. The constraining role of control was only associated with one of the sub-categories of interpretive schemes (bureaucratic). This could be due to the fact that formal rules and regulations were seen as constraints that could undermine the provision of the service. A bureaucratic way of interpreting controls is consistent with a more restrictive application and interpretation of the controls themselves (Cristofoli et al. 2010), and was often criticized by the interviewees.

The interaction variables (communication, power, and sanction) were also associated with some control types (see **Table 6.12**). For example, power was stressed alongside both result control and action control. This finding shows that the interviewees perceived that power could be best exercised by using these types of control. As with public transportation, informal communication was associated with informal control. Interestingly, the emergent variable exploitation was perceived as a behavior that damaged the provision of the service and was associated with weak power.

In general, there were some differences between the two selected services in terms of the patterns between control types and processual/relational variables. For example, legitimization was associated with input control with public transportation, but was associated with informal control with elderly care. This means that individuals from both services tend toward justifying the control systems that they utilize more often. Bureaucratic interpretive schemes were associated with constraints to the

provision of elderly care, while this sub-category of modality was not associated with constraining controls in the case of public transportation. This is consistent with the different measurability of output, where social services would use more informal control. It is also interesting that they focus more on the input than output in public transportation and this is because of the most bureaucratic interpretive scheme present in that service at all levels. In terms of interaction variables, both services showed that action control was key to exercising more power over providers. The co-occurrence between these variables provided further insight into the process of contracted-out public services and the ways in which the government actors interact with the providers.

These elderly care findings assist in addressing the third research question. As previously mentioned, patterns could be identified between control and processual/relational variables. It can therefore be argued that the association between legitimization and action, informal, and formal controls indicates that interviewees justified the adoption of these controls over others and were persuaded that they were the most suitable for this type of service. Specific meanings (e.g., importance of focusing on the services and control) associated with both input and formal controls and the enabling role of control illustrated the opinions of the interviewees regarding the application of these controls during the contract. The association between domination and action and result controls indicates that these were resources utilized by the government to eventually exercise more power. The association between facility and action and result control also reinforces the notion that the government considered these factors to be facilitators of controlling the service. The association between the constraining role of control with the interpretive schemes (bureaucratic) means that formal rules and regulations were perceived as undermining the provision of the service. In addition, the strong power relationship is more likely to be enhanced by action and result controls. The association between exploitation and weak power, (e.g., lack of knowledge or skills that might impair access to control systems) indicates the likelihood of exploitative behaviors by providers when the government has a weak power over the systems. Naturally, exploitative behavior also negatively influences future interactions between the government and providers.

Therefore, it can be argued that this association between control systems and processual/relational variables affects both the relationship between government actors and providers and the ways in which the service is monitored and controlled.

7.4 SUMMARY OF THE FINDINGS AND RESEARCH QUESTIONS

The findings from this study showed both consistencies with and new contributions to existing accounting literature and theory. This section presents a synopsis of the primary findings regarding control systems and processual/relational variables in both public transportation and elderly care.

7.4.1 RQ 1: How are control systems associated with the behavior of government and public-service providers during the implementation stage of contracting-out?

In both services, control systems were found to be differently implemented across the various levels of the Saudi government. For example, the central government tended to input control and formal control. In the elderly care service, both the central and local offices seemed to focus on informal control mechanisms, whereas only local public transport offices tended to adopt informal control more frequently.

The adoption of different control systems in accordance with different levels of government was associated with the different behaviors of government actors and public service providers. For instance, in both services, since the central government is concerned with safeguarding expenditures and adhering to the regulatory rules and procedures related to the contracting-out process, it sought to make the service providers act formally toward controls. As a consequence, the service providers tried to obey the rules and regulations set by the government, but some of them had difficulty following the relatively strict rules and regulations. This ultimately led to financial penalties. In the elderly care service, the central government office gave elderly care providers offices in their premises that facilitated its passing on of information to them and encouraged open discourse between them. The discrepancy between the control methods and

outcomes of the two services could have been because public transportation performance tends to be measured using formal control mechanisms, perhaps mainly because its performance is relatively easy to measure, whereas the informal control method seemed preferable for elderly care because its performance seems more difficult to measure.

At the local level, the local government offices for both services adopted the informal control mechanism to enhance their collaboration with the service providers, as their offices were responsible for the immediate control of the service. Both the staff of the local government offices and the public service providers found meetings helpful, as they could be open to each other there and could directly talk about the progress of the work. In the elderly care service, individuals from the local government office and the public service providers worked together and chatted daily, which eliminated their need for a more formal channel of communication.

Therefore, certain characteristics of controls are more likely to be associated with certain behaviors or relationships between governments and service providers or vice versa. For example, informal control is more likely to be associated with collaboration, whereas formal control is likely to result in formal actions by service providers and less interaction among parties.

7.4.2 RQ 2: To what extent do the control systems enable or constrain the ability of public-service providers?

The ‘enabling and constraining’ roles of controls were perceived differently across levels in both services. The central government seemed to view control systems as enabling the monitoring of the service and helping the public service providers to understand their performance so that they could improve them. However, at the local level, the local offices and the public service providers viewed intensive control systems as constraints. The local public transport office saw that excessive penalties put too much pressure on the public service provider, which led it to complain directly to the central office. Furthermore, in the elderly care service, both the local office and the provider saw that overestimated financial penalties and multiple control systems (e.g., review of payments

across different government levels) constrained the quality and performance of elderly care providers. The public transport provider indicated that intensive control systems of different public entities hinder its effective service delivery because it is less likely to be able to meet the various requirements of the different entities.

It can thus be argued that when control systems enable better management of the service and enable public service providers to deliver the service better, all involved parties will be trusting and satisfied. However, when controls excessively restrict the performance of service providers, conflicts will emerge between the involved parties, which will degrade their collaboration. Moreover, in this study, the constraints imposed by different levels of government constrained the ability of the provider to effectively deliver the service. The central government perceived controls as enabling, whereas the public service providers, regardless of position, tended to see them as constraining. It can also be theorized that the lower the level of control is, the more constraining it is perceived to be.

7.4.3 RQ 3: How are characteristics of the relationship between government and public-service providers associated with the way in which the service is monitored and controlled?

The results of this study showed that some processual/relational variables play important roles both in defining control systems and in shaping the relationship between government actors and service providers. In terms of structure variables, the interviewees repeatedly referred to legitimization to justify the implementation of control systems, whereas the service provider stressed legitimization to facilitate the service from the government. (i.e., receiving more support from the government). The signification variable, through which the respondents gave meaning to the service, was also frequently stressed. It was found that people's attachment of different meanings to a contracted-out service was based on their level of involvement in that service. This could affect the design and implementation of control systems for that service. The results showed that the domination variable was mainly reflected in terms of the availability of government resources,

which allowed the government to dominate the public transportation provider throughout the contract monitoring process.

In terms of modalities, the government interviewees stressed that they expected the service provider to comply with the contract's terms, which highlighted their strong perception and interpretation of the importance of norms (one of the ST variables). With regard to the facilities variable, the central government used an electronic platform (Etimad) to facilitate the service provider's compliance with the contract, whereas the local offices used both Etimad and internal financial systems to monitor the contract and the public service providers. In the elderly care service, the central office facilitated smooth communication with elderly care service providers by providing them offices in its office, whereas the local office relied on reports as a key method of monitoring the service. Interpretative schemes in public transport service were primarily bureaucratic, which focused on complying with rules and regulations, but elements of a managerial interpretive scheme were also found, suggested by the focus on objectives and incentives to enhance the performance of the public transportation provider. In the elderly care service, the interpretative schemes observed were both bureaucratic and managerial, whereas in the public transportation service, the interpretative schemes observed were mainly bureaucratic.

In terms of interaction variables, it was found that the central public transport office obtained its power from the central government, as the former is in charge of regulating the transportation sector throughout the country. The central public transport office empowered the local office, although in a more restricted way, to monitor the performance of the public transportation provider on a day-to-day basis. Both the central and local elderly care offices were found to exercise their power through the contract. In terms of the communication variable, the responses from both services tended to stress informal communication. The interviewees perceived this method as assisting in the maintenance of a close relationship between the government and the service

provider. Finally, the sanction variable was mainly interpreted in the form of financial penalties to the service provider for lack of compliance with the contract.

Surprisingly, an unexpected ‘exploitation variable’ emerged from the collected data. This behavior was seen as more likely to occur when individuals with control over the service were not provided sufficient training. This was seen as potentially damaging the relationship between the government and the service provider. This behavior could be relatively common in the context of contracting-out or, at least, in the context under analysis. This is a new contribution to accounting studies as it provides further insight into negative behaviors that could undermine the quality of the service and the relationship between the government and the service provider throughout the contract.

With regard to patterns of co-occurrence between control types and processual/relational variables, the main associations between controls and ST variables were with regard to structures. This means that the interviewees saw controls as mostly signification, legitimization, and domination structures. The association between modalities and controls was limited; for example, the connection between facility, action, and result controls reinforced the government’s consideration of those controls as facilitators to control the service. In public transport, the association between standards and the enabling role of control demonstrated that the use of specific standards improves service monitoring. However, in the elderly care service, the association between the constraining role of control and the bureaucratic interpretive can be interpreted in terms of formal rules and regulations undermining the service provision. In terms of interaction variables, in both services, the association between action and result controls and strong power suggests that this type of control was seen as an important element of service control. In public transport, the association between financial penalties and the constraining role of control indicates that penalties are more likely to influence the relationship between the government and the service provider, and might undermine the ability of the service provider to deliver the service. In the elderly care service, the relationship between exploitation and weak power suggests that the exploitative behaviors of

service providers are more likely to occur when the government has weak power over the service overall. Such behavior might negatively influence future interactions between government and service providers.

It can be argued that these connections between controls and processual/relational variables shaped the relationship between the government and the public service providers and are linked to the ways in which the service is monitored and controlled. This is a new contribution to the accounting field, as ST variables and control, different from what previously done, were explored together.

7.5 RESEARCH CONTRIBUTIONS

This section highlights the main contributions of this study. It is divided into three subsections: the contribution to ST, the contribution to accounting studies, and the contribution to practice and policy.

7.5.1 Contribution to Structuration Theory

Despite the fact that ST has attracted scholarly attention within the accounting literature (including conceptual and empirical papers), it has not been examined in the context of contracted-out services in the public sector. The review of the extant accounting studies that employed ST showed that they focused on specific topics within the accounting discipline, including strategy and accounting (Roberts, 1990), accounting systems (Macintosh and Scapens, 1991), management accounting and control systems (Scheytt, Soin, and Metz, 2003; Busco, 2009), accounting and organizational change (Dillard, Rogers, and Yuthas, 2011), accounting practices concepts (Englund and Gerdin, 2008, 2011, 2014, 2016), and environmental management control and accountability (Parker and Chung, 2018). The current study, by contrast, uses ST to explore relationships and control systems in the context of contracting-out in the public sector.

This study contributes to ST by employing this theory to explore the contracting-out of two selected public services in the context of Saudi Arabia. This study showed that controls were utilized differently depending on the level of government. These differences in adopting controls were associated with the behavior of both government actors and public service providers. The use of ST assisted in examining controls at multiple levels and how control systems are linked to the relationships between the main actors.

This study looked at all ST variables instead of focusing on certain variables and ignoring others. This allowed for all aspects of the theory to be covered and understood. Another contribution of this study to the theory is its examination of this topic from the perspectives of the government and public service providers to improve understanding of their interactions and the ways in which they perceive and use control mechanisms. Previous studies such as Cristofoli et al. (2010) only interviewed individuals from the government.

This thesis also contributes to ST by exploring the role of control systems in the public sector. To our knowledge, previous accounting studies that used ST did not discuss the roles of controls (Parker and Chung, 2018; Busco, 2009; Englund and Gerdin, 2008). The use of this theory provided further insights into how both the government (including those who implement or design and receive controls) and public service providers perceive control systems.

The joint exploration of the ST variables and controls, which have not been examined previously, is a key contribution to literature and theory. Previous accounting studies did not look at control systems and processual/relational variables together but only individually (Scheytt, Soin, and Metz, 2003; Conrad, 2005; Parker and Chung, 2018). In this study, exploring control systems and processual/relational variables together helped shed light on the connections between these variables and how specific characteristics of relationships are associated with controls. This contribution is essential in understanding and explaining control systems and their characteristics in the context of the contracting-out process.

This exploratory study used Giddens's theory as a general theoretical framework for understanding both the relationship between the government and public service providers during the contract implementation stage and the ways in which control systems and these relationships interact. It employed the general concepts of the theory as opposed to focusing on one specific aspect and neglecting the others. As such, one of the key contributions of this study involves the exploration of the different interplays between structures and agents (government actors and public service providers). It examined this topic from both the government and public service providers' perspectives in order to explore their interactions and the ways in which control mechanisms were perceived and used. Interestingly, it was noted that patterns of associations between control systems and processual/relational variables can be identified. For example, some control systems were more often associated with some ST variables than others, indicating different perceptions of them across different services. This contributes to a deeper understanding of how ST variables play an essential role in explaining control systems and their characteristics in the context of contracting-out. The use of ST as an overarching framework was helpful for exploring both the structures and social aspects (relationships and interactions) involved in the contract monitoring phase. For example, certain legitimization and signification dimensions were associated with specific modes of control, such as action control and informal control. In addition, certain control systems, such as result control, were associated with the facility variable because they were perceived as facilitators in the control of public services. Action control was associated with power, as this type of control was seen as key to exercising more power over providers.

This study also suggested connections between the ST variables themselves. For example, the signification (meaning) that the local office attached to the control systems was characterized by the different interpretive schemes (including the bureaucratic one) used by the various parties to communicate. This was consistent with the use of legitimization in the form of norms that the providers were obliged to comply with. The domination structure was facilitated using different resources (including various control tools) by the different levels of government that attempted to

exercise strong power over both the service and the provider. Therefore, using ST provided novel insights into the roles played by the human agents (both government actors and public service providers) throughout the monitoring stage of contract implementation. This is an original contribution to the understanding of controls and relationships in the context of contracted-out public services; it also adds to the accounting literature on the exploration of control systems using ST (Ahrens and Chapman, 2002; Scheytt, Soin, and Metz, 2003; Parker and Chung, 2018) as this theory had not been previously used to explore relationships and control systems at the same time.

These considerations are in line with the results of Englund and Gerdin (2016), who found that ST can be a powerful instrument for the study and adjustment of management accounting practices. They also suggested that accounting researchers should make clear conceptual distinctions between structure and agency when examining accounting practices in the context of structuration processes. The current study is consistent with their perspective as it clearly distinguished between structures (control systems) and the roles of actors (the government and public service providers) in the contracting-out process. These results contribute to both the theory and accounting literature by exploring ST variables together with control systems. In this chapter, it has been proposed that certain ST variables tend to be more aligned with specific control systems, eventually contributing to explain the usage of these control systems and the interactions between the involved agents.

7.5.2 Contribution to the existing accounting literature

This study contributes to current accounting literature by exploring control systems during the contracting-out execution stage in the context of the public sector in developing countries such as Saudi Arabia. Public sector accounting studies are scarce in developing countries, which tended to be overlooked in prior literature (Broadbent and Guthrie, 2008). Therefore, this study tried to bridge this gap by exploring controls and relationships to enhance the control process in developing countries.

This study also contributes to existing accounting literature by examining more closely control systems and relationships between government actors and public service providers. Unlike previous studies such as those of Cristofoli et al. (2010) and Dittilo et al. (2015), this study focused on the perspectives of both parties, which helped deepen the understanding of both control systems and relationships between the said parties. Such understanding is the key to identifying major challenges or issues during the contract implementation monitoring stage. This is a new contribution to the accounting field in that it looks at certain aspects that have not been examined previously.

These results also showed the importance of exploring control systems and relationships in the contracting-out of public services by examining some factors that had not been previously explored. Many different patterns between control mechanisms and processual/relational variables were observed, which contribute to the extant accounting literature. They showed the importance of considering processual/relational variables given their potential to enhance and explain control systems. This contributes to explaining the usage of these control systems and the interactions between the involved agents.

These findings also offered further insights into how managers and accountants in the Saudi Arabian public sector perceive and implement control systems. The field of control systems and relations within contracted-out public services in developing countries has been relatively neglected. This is an original contribution to the accounting discipline that allows for better understanding of the roles of such key actors and their ability to affect control systems during contract execution. Previous accounting studies such as that of Cristofoli et al. (2010) showed that the local level is mostly involved in controlling contracted-out public services, whereas this study revealed that both the central and local governments in Saudi Arabia are engaged in monitoring contracted-out public services. Future public sector accounting studies could build on these

findings by exploring factors that could influence control systems and relationships between different levels of government and public service providers.

This study also allowed for further understanding of the factors that either enable or constrain control systems. Unlike the studies of Cristofoli et al. (2010) and Ditillo et al. (2015), this study explored the views of individuals in relation to control systems and services at multiple levels (i.e., central and local). It specifically identified scenarios in which control systems were perceived as either enabling or constraining the delivery of services. It made an original contribution to accounting studies by exploring the extent to which control systems either enable or constrain the service delivery ability of public service providers in the public transportation and elderly care fields. It added to accounting studies by revealing that constraints through multiple levels of control undermine the ability of the provider to deliver the service. Also, the central implementer of controls perceives them as enabling, whereas receivers, regardless of position, tend to see them as constraining.

7.5.3 Practice- and policy-based contributions

To avoid contract failures or issues with monitoring contracted-out public services (see Chapter One), emerging problems must be adequately addressed. This study defined key factors in this regard for both the Saudi central government and the global public sector. The contributions of this study related to policy and practice are as follows:

- This study offered new insights on linkages between control systems and the relationships between the government and public service providers. It presented evidence of the importance of interactions and different structures in the relationships between parties throughout the monitoring of contracted-out public services. Hence, policymakers must try to thoroughly understand the values of such aspects (i.e., control patterns and relationships) and support the building of an effective relationship between government actors and public service providers to avoid any negativity that may result from the lack of

proper interactions between them. Policymakers should look at specific characteristics of relationships (e.g., informal communication) between the government and providers to enhance their interaction and control of the service. Ineffective control and poor interaction, for instance, were two of the possible reasons for the failure of security services for the 2012 London Olympics (see Chapter One).

- The results suggested that the Saudi central government actors perceived the role of controls differently from the local government offices and service providers. The central government actors perceived controls as enabling, whereas the local offices and service providers tended to see them as constraining. Therefore, it would be beneficial for policymakers or regulators to obtain ongoing feedback from both local offices and service providers regarding control tools and to find better ways to balance effective controls with better delivery of services.
- Exploitative behavior was observed in the collected data. Therefore, it would be beneficial to provide specific individuals in public entities, particularly those who are in charge of supervising and developing relationships with public service providers such as contract managers, financial managers and accountants, training on risk management or assessment, fraud, corruption in contracts, and other relevant topics. These will strengthen the quality of service control rather than simply relying on individual vigilance. The overbilling by the service providers contracted by MoJ in the United Kingdom, for instance, could have been partly motivated by exploitative behavior (see Chapter One).
- The results of this study demonstrated the adoption of various combinations of control systems, including formal control, input control, informal control, action control, and result control. Regulators could further emphasize the need for comprehensive reviews of the monitoring mechanisms used in controlling contracted-out public services to determine the best methods for controlling contracts both financially and otherwise. “No one size fits all” explains the government’s use of different types of control; different features, natures,

and functions of contracts; and different relationships with service providers. These must all be examined to enable the selection and implementation of the most suitable control types for the duration of the contract.

- Although result or output control is necessary for measuring the results of the performance of public service providers, the findings showed that this was the least referenced type of control mechanism for monitoring a contract's execution. The data showed that other controls (i.e., formal and informal) were frequently used. Therefore, from a managerial perspective, it would also be beneficial to focus more on result control, as it provides management with important information, both financial and nonfinancial, related to the service so that they can make effective decisions related to it. It is worth mentioning that the undeserved payments to the public transport providers in the USA were caused by the government's incomplete evaluation of their performance and inadequate monitoring systems (see Chapter One).
- This research explored different relational/processual dimensions to deepen understanding of the aforementioned less examined factors. The identification of the most frequently stressed relational/processual variables and of their connection to various control systems makes it possible to identify behaviors or actions that may influence such control systems. Therefore, managers and policymakers in the public sector should be aware of the significance of these aspects during contract execution. Policymakers should look at processual/relational variables and controls together to ensure better delivery of the service.

More importantly, this research offered essential information regarding the improvement of the functions of accounting-based control, governance, and relationship management to enhance the performance and actions of public entities. Regulators should understand the different types of controls that are associated with lower collaboration to avoid focusing heavily on them and to reinforce controls that are linked to trust, in order to ensure better delivery of the service. Also,

policymakers should work on enabling the delivery of services by implementing reasonable controls that can be viewed by all involved actors as enabling rather than constraining. This is particularly relevant in the context of initiatives and programs related to managerial and economic reforms under the banner of Saudi Vision 2030. Therefore, these research outcomes and efforts could contribute to the successful implementation of Saudi Vision 2030 by offering a better understanding of current public service monitoring.

Although the context of this study was Saudi Arabia, which has unique features (including power, and political/cultural characteristics), the findings can be generalized to other countries (e.g., Arab gulf countries) that have similar contexts in terms of public sector and cultural aspects as Saudi Arabia. The power in the public sector of Saudi Arabia is higher (as it follows a centralization perspective) compared to developed countries, however, the results can be generalized to countries with similar public sector mechanisms. Also, some of these relationships/factors are valid in developed countries: e.g., controls seen as structures, and perception of constraining control going down in the hierarchy. Some of these results are applicable to other settings in general, but further research could test them in developing countries as well.

7.6 RESEARCH LIMITATIONS

As with any empirical research, this research also has limitations. First, some methodological challenges emerged in this study due to the COVID-19 pandemic. For example, the interviews with managers were significantly delayed. Some interviewees were also working remotely, which made them difficult to contact. Eventually, interviews were organized with them outside their workplace, which could have made them somehow uncomfortable with the discussion of the research topic, since some of them did not prefer to meet outside work hours. This could have affected the results, as the interviewees spoke less and answered some questions more briefly. To overcome this issue, follow-up interviews were conducted with those interviewees to ensure their adequate response to the interview questions.

Second, this research focused on control systems and relationships between government actors and public service providers in Saudi Arabia. Therefore, the Saudi government system, culture, and society, among other things, affected the perceptions of the interviewees. Although globally the public sector can be considered as having similar objectives and functions, the findings from this study should not be generalized (as findings cannot be generalized from case studies- see section 5.5) without further investigation and exploration of the same research questions in other countries.

Finally, this study investigated control systems and relationships between government actors and providers of public transportation and elderly care services. Hence, the findings from these cases might be limited to these types of public services and should not be extended to other public services (e.g., road maintenance or waste collection) because other factors could affect the management and control of those services, such as their nature and characteristics.

7.7 SUGGESTIONS FOR FUTURE RESEARCH

The financial and nonfinancial control of contracted-out public services is multifaceted, which makes it difficult for managers and accountants to choose and use the appropriate control. The government will not gain value for money from contracted-out public services until it improves its oversight of contracts. In this regard, there are several ways in which the work in this dissertation could be extended. One way is to further investigate this topic through comparative analyses of two or more countries, such as countries that have advanced practices of contracting-out of public services compared to others with less advanced systems. This would expand the understanding of control systems, of the relationships between government actors and public service providers, and of the effects of these control systems and relationships on the monitoring of contracted-out public services. It could also help determine whether different cultural or environmental factors play roles in the control process.

Further extension of this study could be in the form of a comparative studies with other public services, such as road maintenance and waste collection. Also, this research can be expanded by

selecting other services with different levels of performance measurability. Investigating control systems and relationships between government actors and public service providers in other public services would enrich our findings and aid in identifying potential challenges related to monitoring contract execution.

This research would also be enriched by extending its scope to additional accounting and control concepts, including, for example, the assessment of control systems during a tender, the selection of service providers, and the budget allocation for the contract. This could potentially uncover additional key factors that could affect the design or implementation of control systems in this context. Extending the scope of this research to more key individuals, such as employees of budget and internal control departments, would also allow for the exploration of the roles of management accountants and auditors in monitoring contract execution and would deepen the understanding of the monitoring of contracted-out public services and of the relationships between government actors and public service providers. This would also give accounting scholars access to essential information when examining and exploring control systems and relationships between relevant parties in public services.

As this study found that theoretically the interviewees perceived controls mainly as structures, it would be beneficial for future studies to concentrate in-depth on this aspect of the theory (i.e., the structures of signification, legitimization, and domination) when examining relationships between government and public service providers during the contract implementation stage to gain further understanding of how these structures interplay within the context.

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Appendix 1: Questions for government actors

Group A: Interview questions for NPM and contracting-out champions:

No	Questions	Rationale/Variable
1	Could you describe your role? How long have you been in this position and in the organization? Educational background. Seniority.	Opening Question
2	Could you give some examples of reform initiatives that took place in relation to business-like reforms? and contracting-out?	Signification
3	What is your opinion on contracting-out practices? and how would you define/describe it?	Signification
4	In your view, what are the key factors in contracting-out for public services? Could you provide some examples? - Is there anything you would change? and why?	Legitimation
5	How would you describe the relationship between government and public-service providers? Could you provide some examples? Would you change anything? and why? Any challenges?	Interpretative scheme/Domination
6	What is your view of current policies and regulations in relation to the contracting-out of public-services? - Examples - contract - Would you change anything? and why?	Norms/Domination
7	What is your view about the monitoring and control systems currently in place in relation to public-service providers? (e.g. contract, monitoring reports and minutes of meetings).	Power/Facility/Domination
8	In your view, would providing the service in-house (or by more private-sector competition) be better? How? Why?	Closing Question

Group B: Interview questions for General Court of Audit (GCA):

No	Questions	Rationale/Variable
1	Could you describe your role? How long have you been in this position and in the organization? - Educational background. - Seniority.	Opening Question
2	How would you describe your relationship with the public entities? Could you please provide some examples? - Could you give me examples of where the relationship has worked particularly well? and why?	Signification
3	How often do you communicate with the public entities and who is involved in this process? Could you provide some examples? - Who is responsible for taking decisions?	Communication/Power
4	Have you ever experienced challenges or issues when dealing with the public entities? What was your reaction to them? Could you provide some examples?	Interpretative scheme
5	What are the main control and monitoring systems currently in place to control the public-service provider (e.g. contracts, monitoring reports and minutes of meetings)? How do you use them? - Would you change them? How? and why?	Power/Facility/Domination
6	How did you decide/choose the control tools to implement? Could you provide some examples?	Norm/Power
7	What do you think about the current public services contracts terms specifically?	Interpretative scheme/Facility
8	Could you provide an example of how you dealt with a difficult situation in which there was a misunderstanding with the public entities or the service was not adequately provided? Does the company suffer any penalties if the contract is breached? If so, how do these operate?	Legitimation/Sanctions
9	Can you tell me how often do you communicate with the local offices and how it operates?	Communication/Legitimation
10	In your opinion, how should a good public entities actor look like? How should they behave?	Norm
11	In your view, would providing the service in-house (or by more private-sector competition) be better? How? Why?	Closing Question

Group C: Interview questions for central offices in public transport and elderly care, plus finance/control offices:

No	Questions	Rationale/Variable
1	Could you describe your role? How long have you been in this position and in the organization? - Educational background. - Seniority.	Opening Question
2	How would you describe your relationship with the public-service provider? Could you please provide some examples? - Could you give me examples of where the relationship has worked particularly well? and why?	Signification
3	How often do you communicate with the public-service provider and who is involved in this process? Could you provide some examples? - Who is responsible for taking decisions?	Communication/Power
4	Have you ever experienced challenges or issues when dealing with the public-service provider? What was your reaction to them? Could you provide some examples?	Interpretative scheme
5	What are the main control and monitoring systems currently in place to control the public-service provider (e.g. contracts, monitoring reports and minutes of meetings)? How do you use them? - Would you change them? How? and why?	Power/Facility/Domination
6	How did you decide/choose the control tools to implement? Could you provide some examples?	Norm/Power
7	What is your opinion of the current contract terms specifically?	Interpretative scheme/Facility
8	Can you tell me how often do you communicate with the local offices and how it operates?	Communication/Legitimation
9	How do you control the transport company and balance the ownership and the service provision? - Is there any challenges?	(Only for public transportation) Power/Facility/Domination
10	In your opinion, how should a good public-service provider look like? How should they behave?	Norm
11	In your view, would providing the service in-house (or by more private-sector competition) be better? How? Why?	Closing Question

Group D: Interview questions for local central government offices in public transportation and elderly care:

No	Questions	Rationale/Variable
1	Could you describe your role? How long have you been in this position and in the organization? - Educational background. - Seniority.	Opening Question
2	How would you describe your relationship with the public-service provider? Could you please provide some examples? - Could you give me examples of where the relationship has worked particularly well? and why?	Signification
3	How often do you communicate with the public-service provider and who is involved in this process? Could you provide some examples? - Who is responsible for taking decisions?	Communication/Power
4	Have you ever experienced challenges or issues when dealing with the public-service provider? What was your reaction to them? Could you provide some examples?	Interpretative scheme
5	What are the main control and monitoring systems currently in place to control the public-service provider (e.g. contracts, monitoring reports and minutes of meetings)? How do you use them? - Would you change them? How? and why?	Power/Facility/Domination
6	How did you decide/choose the control tools to implement? Could you provide some examples?	Norm/Power
7	What do you think about the current contract terms specifically?	Interpretative scheme/Facility
8	Could you provide an example of how you dealt with a difficult situation in which there was a misunderstanding with the service provider or the service was not adequately provided? Does the company suffer any penalties if the contract is breached? If so, how do these operate?	Legitimation/Sanctions
9	How do you control the transport company and balance the ownership and the service provision? Is there any challenges?	(Only for public transportation) Power/Facility/Domination
10	Can you tell me how often do you communicate with the central office and how it operates?	Communication/Legitimation
11	In your opinion, how should a good public-service provider look like? How should they behave?	Norm
12	In your view, would providing the service in-house (or by more private-sector competition) be better? How? Why?	Closing Question

Appendix 2: Questions for public service providers

No	Questions	Rationale/Variable
1	Could you describe your role? How long have you been in this position and in the company? Educational background. Seniority.	Opening Question
2	How would you describe your relationship with the government? Could you please provide some examples? - Could you give me examples of where the relationship has worked particularly well? and why?	Signification
3	How often do you communicate with the government and who is involved in this process? Could you provide some examples? Who is responsible for taking decisions?	Communication/Power
4	Have you ever experienced challenges or issues when dealing with the government? What was your reaction to them? Could you provide some examples?	Interpretative scheme
5	What are the main control and monitoring systems currently in place to control the service (e.g. contracts, monitoring reports and minutes of meetings)? How do you use them? Would you change them? How? and why?	Power/Facility/Domination
6	How did you decide/choose which control tools to implement? Could you provide some examples?	Norm/Power
7	What is your opinion of the current contract terms specifically?	Interpretative scheme/Facility
8	Could you provide an example of how you dealt with a difficult situation in which there was a misunderstanding with government or the service was not adequately provided? Does the company suffer any penalties if the contract is breached? If so, how do these operate?	Legitimation/Sanctions
9	In your opinion, how should a good government entity look like? How should they behave?	Norm
10	In your view, what would be a better way to provide the service? Why?	Closing Question

Appendix 3: Snapshot of coding scheme

My PhD Research.nvp - NVivo 12 Pro

File Home Import Create Explore Share

Cut Copy Paste Merge Clipboard Properties Open Memo Link Item Add To Set Create As Code Create As Cases Query Visualize Code Auto Range Uncode Case Classification File Classification Classification Detail View Sort By Undock Navigation View List View Find Workspace

Nodes

Name	Files	References	Created On	Created By	Modified On	Modified By
Formal Communication	22	37	13/02/2021 11:21	MA	18/04/2021 10:58	MA
Informal Communication	28	77	13/02/2021 11:21	MA	18/04/2021 10:58	MA
Control Systems	0	0	13/02/2021 11:16	MA	25/03/2021 16:36	MA
Action Control	30	90	13/02/2021 10:49	MA	18/04/2021 11:53	MA
Central government control toward local	10	13	12/03/2021 17:18	MA	14/04/2021 21:50	MA
Central government control towards prov	13	48	13/03/2021 09:14	MA	14/04/2021 21:31	MA
Constrain	7	10	07/01/2021 17:32	MA	16/04/2021 21:30	MA
Formal Control	33	199	13/02/2021 10:48	MA	18/04/2021 14:00	MA
Informal Control	33	160	13/02/2021 10:49	MA	18/04/2021 11:52	MA
Input Control	32	202	13/02/2021 10:50	MA	18/04/2021 14:01	MA
Local government control toward provid	12	40	12/03/2021 17:17	MA	18/04/2021 11:56	MA
Result Control	18	31	13/02/2021 10:49	MA	14/04/2021 12:11	MA
Critique	28	79	15/01/2021 12:50	MA	18/04/2021 11:40	MA
Domination	0	0	06/01/2021 15:08	MA	25/03/2021 17:21	MA
Strong Domination	33	171	12/03/2021 17:19	MA	18/04/2021 14:00	MA
Weak Domination	7	9	12/03/2021 17:20	MA	17/04/2021 11:46	MA
Educational Background	0	0	12/04/2021 19:53	MA	12/04/2021 19:53	MA
Enable	26	50	07/01/2021 17:31	MA	18/04/2021 11:42	MA

MA 61 Items

Appendix 4: The consent form

Project title:

The monitoring and control of government towards contracted-out public-service providers: the case study of Saudi Arabia.

Name of the researcher:

Muteb Khatim Alanazi, Durham University

Purpose of the research:

Most governments around the world have experienced difficulties in monitoring public-service contracts. As such, the main aim of the current study is to look at the relationship between the government and public-service providers during contracting-out. It specifically explores how the control systems put in place is related to overall relationship. The results of the study aim to have a significant implication for practice in terms of suggestions and ways forward to improve the management of contracted-out public services.

Purpose of the interview:

The main objective of this interview is to obtain a better understanding about the relationship between government and public-service providers and the contracting-out monitoring process. In addition, the interview will encourage the discovery of perceptions and views on the control of contracting out of public services. This study will produce useful findings based on the interviews, which will enable improved control and monitoring practices of public services.

Confidentiality and anonymity:

All data collected during the interview will be fully anonymized. After the interview, you will be given the opportunity to see the transcripts and you can withdraw at any time. Any information will be stored anonymously and password protected on the researcher's computer. The content of this interview will be used solely for the purpose of this study.

By agreeing to taking part in this study, you also agree to the interview being recorded and to the use of anonymised quotes in this research.

Appendix 5: Co-occurrence patterns between control types and processual/relational variables (Public Transportation).

Control types and roles	Structures			Modalities									Interaction				
	Signification	Domination	Legitimation	Interpretive schemes					Facility	Norms			Communication		Power		Sanctions/ Penalties
				Bureaucratic	Law-oriented	Managerial	Open-minded	Risk averse		Rights or obligation	Standards	Values	Formal	Informal	Strong	Weak	
Input control	64%	13%	69%	1%	4%	10%	0%	0%	11%	3%	30%	0%	2%	4%	30%	0%	0%
Formal control	26%	44%	74%	4%	1%	5%	0%	3%	9%	4%	22%	4%	23%	3%	12%	1%	10%
Informal control	64%	10%	17%	0%	0%	7%	2%	0%	8%	3%	3%	6%	6%	50%	2%	0%	0%
Action control	11%	30%	76%	20%	0%	7%	0%	1%	28%	4%	5%	9%	5%	9%	66%	4%	7%
Result control	47%	65%	47%	0%	0%	12%	5%	0%	58%	0%	6%	0%	17%	6%	18%	0%	0%
Enabling	2%	14%	35%	3%	5%	17%	1%	0%	11%	3%	51%	5%	5%	16%	5%	0%	8%
Constrain	16%	16%	33%	0%	16%	0%	0%	0%	0%	0%	0%	0%	16%	0%	0%	0%	50%
Exploitation	0%	0%	0%	25%	0%	0%	0%	0%	25%	0%	0%	0%	0%	0%	25%	0%	25%

Appendix 6: Co-occurrence patterns between control types and processual/relational variables (Elderly Care).

Control types and roles	Structures			Modalities									Interaction				
	Signification	Domination	Legitimation	Interpretive schemes					Facility	Norms			Communication		Power		Sanctions/ Penalties
				Bureaucratic	Law-oriented	Managerial	Open-minded	Risk averse		Rights or obligation	Standards	Values	Formal	Informal	Strong	Weak	
Input control	54%	38%	45%	7%	5%	13%	2%	1%	27%	8%	27%	15%	3%	5%	27%	3%	6%
Formal control	52%	37%	77%	13%	2%	7%	1%	1%	21%	13%	30%	10%	10%	6%	34%	1%	15%
Informal control	47%	22%	72%	0%	0%	15%	2%	0%	14%	4%	17%	22%	2%	52%	13%	1%	0%
Action control	40%	75%	71%	6%	0%	10%	0%	0%	59%	2%	24%	4%	2%	12%	75%	2%	2%
Result control	42%	78%	38%	0%	0%	7%	0%	0%	64%	0%	21%	7%	7%	0%	78%	0%	0%
Enabling	65%	30%	42%	0%	10%	40%	5%	0%	25%	0%	20%	25%	0%	20%	25%	0%	0%
Constrain	0%	25%	0%	50%	0%	0%	0%	0%	25%	0%	0%	0%	0%	0%	25%	0%	25%
Exploitation	33%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	33%	0%	66%