Voluntary Implementation of Performance Measures:  
The Case of Japanese Local Government*

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The aim of this paper is to study how non-mandatory performance measures are implemented and their use in local governments with a bureaucratic public administration style. This paper studies the biggest six cities of Japan and investigates how Japan’s big cities use the performance measures by a questionnaire and semi-structured interviews. The paper shows the difficulty of comparing the developments of these performance measurement systems because of the shortage of actual results with which to assess the impact of each implementation process because of the heterogeneity of experiences in Japan. This study finds each local government has different approaches, goals, and objectives. The choices of suitable performance indicators are at the discretion of the management. The findings are consistent with the “institutional theory” and “conflict/ambiguity” approaches, which highlight, respectively, pressures from the institutional environment to adopt structures and practices with high social value, and the interest of key actors in experimenting with different ways of performance measure implementation. This study shows that performance measurement systems, in practice, are designed to fit into the traditional organization structure of each local government.

Keywords: new public management, performance measures, voluntary implementation, Japanese local governments

Introduction

The development of tools to measure performance is at present on the agenda of many local governments as a public expression of their concern about the good use of taxes. The goal of improving efficiency and effectiveness is not only a matter of managerial rationality but also a political issue on the agenda of OECD countries.

Halachmi (2002) suggested two major reasons for introducing performance measurement as a regular activity in public entities: first, to establish better accountability (external use); and second, to improve performance and productivity (internal use). The OECD (2005) noted different reasons for which countries have adopted the formalization of targets and performance measurement: managing efficiency and

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effectiveness, improving decision-making, and improving external transparency and accountability to parliament and the public. From the internal use perspective, the basic idea is that performance measurement systems create incentives that help to align individual goals with the objectives of the organization, provide valuable feedback information with the progress towards these objectives, and form the basis for internal and external accountability (Cavalluzzo & Ittner, 2004; Heinrich, 2002). From the external use perspective, transparency has become a widespread symbol of “good governance” in many different contexts today (O’Neill, 2008) and a key piece for holding governments more accountable to citizens.

The aim of this paper is to study how performance measures are implemented and their use in local governments where it is not mandatory. This study argues that, even though performance measures are not compulsory in some countries, there is normative environmental pressure for their adoption which comes from the globalization of new public management (NPM) doctrine. In these cases, it will be explored to what extent the implementation of performance measures is real or rhetorical. The paper studies performance measure implementation in the biggest cities of Japan with a bureaucratic public administration style based on the French and German models.

**Theoretical Framework**

A range of theories has contributed to explaining, to some extent, the introduction of performance measures into governments through the identification and analysis of the roles and drivers of these reforms. The perspective of adopting performance measures for their value in decision-making purposes has typically been linked to the agency problem, since performance measures in public entities often have the dual function of producing information for internal and external use. It seeks to move the focus of budgeting, management, and accountability away from inputs towards results.

The perspective of adopting performance measures for their value in institutional image and accountability purposes assumes that organizations respond to pressures from their institutional environments and adopt structures and practices that have high social value as answers to external changes in expectations and formal rules. As the introduction of rational decision-making processes into governmental entities is complex, compliance and enforcement of these postulates may be limited to the visible components of rational decision-making, especially the collection and display of information (Dalehite, 2008). So, it may not come as a surprise that managerial innovation could be undertaken simply for image and legitimacy since after two decades of NPM reforms, no government can say that performance measures and accountability of the results of public action are not good. Many studies have used the institutional theory (DiMaggio & Powell, 1983) to explain the features of this implementation perspective and the gap between rhetoric and actual results.

Other authors such as Wilson (1992), Matland (1995), and Barret (2004) highlighted the “conflict” and “ambiguity” often involved in public management reforms. These authors explored how the conflict level of reforms and ambiguity in the implementation of reforms affect the way in which these reforms are implemented. Matland (1995) explored how the conflict level of reforms and ambiguity in the implementation policy of reforms affect the way in which these reforms are adopted. He proposed four implementation perspectives to explain the gap between rhetoric and actual results in public sector management reforms. The “experimental implementation”, with low level of conflict but high level of ambiguity where key actors experiment with implementation, is the Matland approach which best explains the PM initiatives undertaken in this case.
Context

Japanese public administration culture had been influenced by structures import from the French and Prussian legal models before World War II (Sato, 2002). Traditionally, financial resources are concentrated in the central government, which delegates projects and programs to local governments, thereby controlling local governments, however, local governments basically have a high degree of independence, and decentralization has been progressing in recent years. Now, there are 1,774 municipalities which manage 51.7 percent of the total public expenditure of Japan. The majority of Japanese public sector employees are civil servants, and as a consequence, they are not ruled by private sector labor legislation, and most employees work at the same municipality until their retirement age.

It has been pointed out that Japan’s approach to NPM is more conservative than other countries (Guthrie, Olson, & Humphrey, 1999), although in recent years TQM initiatives, Kaizen management, ISO and BSC have been implemented by some Japanese local governments. The ministry of Internal Affairs and Communications, which is responsible for establishing systems for local governments, has not systematized or made legal standards for performance management systems. Thus, the creation and implementation of performance management systems can be regarded as a dependent on voluntary and independent approaches in local governments. The implementation depends on the self-governance of each local government, and they have constructed systems by using their own staff or by using external support. Therefore, performance evaluation practices of Japanese municipalities are various, and some municipalities have implemented systems successfully, while many other municipalities have been facing with difficulties to establish outcome benchmark indicators and rational target levels, to utilize the evaluation information in decision making, and to improve their efficiency and effectiveness (Matsuo, 2009).

Methodology

Face-to-face interviews based on the questionnaire of Poister and Streib (1999) were carried out. This allowed us to find out the opinion of Japanese managers about specific issues related to the implementation and use of performance measures and to be sure that the managers understand the questions in the same way.

The interviews were carried out in 2008 in the six ordinance-designated (major) cities¹ of Japan (Yokohama, Osaka, Nagoya, Kobe, Kyoto, and Kawasaki). The selected cities come from different prefectures and represent an important percentage of local government public expenditure in Japan.

The interviewees were the senior performance measures project managers and/or politicians who were responsible for the design and control of the local government performance measurement system². Conducting live interviews provides additional insight into internal and environmental factors and identifies issues not included in the questionnaire which could be important. The questionnaire distinguishes between the views of entities which have carried out a comprehensive implementation of performance measures at a city-wide level and those which have carried out limited initiatives focused on specific areas or services.

¹ Japanese top 10 major cities in the size of population are Yokohama (the 1st place), Osaka (2nd), Nagoya (3rd), Sapporo (4th), Kobe (5th), Fukuoka (6th), Kyoto (7th), Kawasaki (8th), Saitama (9th), and Hiroshima (10th).
² The interviewees were as follows: in Kawasaki, the senior manager and assistant chief of Administrative Evaluation Department in Planning Bureau; in Kobe, the manager of Finance Bureau, and the chief of Planning and Coordination Department in Planning and Coordination Bureau; in Kyoto, the section chief of Strategic Planning Section and the section chief of Coordination section in Planning Bureau; in Nagoya, the deputy-manager of City Management Office in General Affairs Bureau; in Osaka, the general manager and the section chief of Administrative Evaluation Department in City Management Reform Office; and in Yokohama, the section chief of City Management Planning Office and Coordination Bureau.
The questionnaire has three parts. The first and the third are applicable to all cases. Part A includes questions about general background issues such as the reasons for the introduction of performance measures, an overall assessment of the effects of the changes introduced and the primary users. The questions in Part A try to find a contextual approach common to all the local governments studied, focusing the research not only on technical aspects of performance measurement, but also on its impact and on the internal and external environmental factors which enable the reform initiatives. Part B refers to entities with centralized city-wide systems (the development, operation, and outcomes of performance measures). The last block of questions deals with the introduction of different performance indicators in some services.

**Analysis of Results**

Part A of the questionnaire collects general information about the features of the performance measurement initiatives undertaken in each local government analyzed. The first question asks why local governments have implemented performance measurement systems. All of them, except Kobe, stated “The desire to make better management decisions” as primary reason for implementing performance measurement systems as shown in Table 1. “Citizen demands for greater accountability” are the next most important reasons for implementing performance measures.

**Table 1**

*Motivation of Using Performance Measures*

| A. Background information (All Users) | Yokohama | Osaka | Nagoya | Kobe | Kyoto | Kawasaki |
|--------------------------------------|----------|-------|--------|------|-------|----------|
| (1) What has motivated your jurisdiction to begin using performance measures? | | | | | | |
| (a) The desire to make better management decisions. | 1 | 1 | 1 | 1 | 1 | 1 |
| (b) Citizen demands for greater accountability. | 1 | 1 | | | | 1 |
| (c) Pressure from elected city officials. | | | | 1 | | |
| (d) Other | | | | 1 | | |

*Note.* 1: Effective.

The answers to question one reflect the concern of local governments to make the use of rational decision-making techniques visible through the implementation of data-gathering processes such as performance measurement systems. These answers are related to the institutional image value of collecting and displaying information, since “greater accountability” expresses a formal and democratic principle, and “best practice” assumes that rationality in decision-making is an indicator of “good management”.

All of these implementation experiences have been developed in all cases voluntarily by local governments, without any legislative mandate from central or regional governments, and encouraged by elected officials to improve decision-making or accountability processes.

Table 2 shows the primary users of performance measurement reports. The cities studied except Yokohama send annual performance measurement reports to the Mayor Department and budget officials. Japanese local governments are primarily use performance measures to review the annual budget of programs and services, and because of this information are related to the fiscal year. The yearly elaboration of reports is consistent with the fact that these local governments collect performance measurement for accountability purposes rather than for decision-making purposes, since this data is the visible component of rational decision-making.
Table 2

Primary Users of Performance Measurement Reports

(2) Which of the following individuals and groups form the primary audience for your performance measurement reports?

|                        | Yokohama | Osaka | Nagoya | Kobe | Kyoto | Kawasaki |
|------------------------|----------|-------|--------|------|-------|----------|
| a) City manager, chief administrative officer, or other executive staff. | 2        | 1     | 1      | 1    | 1     | 1        |
| b) Mayor or professional staff in the mayor’s office.                       | 1        | 1     | 1      | 1    | 1     | 1        |
| c) City council members.                                                     | 1        | 1     | 1      | 1    | 1     | 1        |
| d) Department heads, program managers, other line managers.                 | 1        | 2     | 1      | 1    | 1     | 1        |
| e) Budget officials, personnel officials, other professional staff.         | 1        | 1     | 1      | 1    | 1     | 1        |
| f) Citizen advisory boards or groups.                                       | 3        |       |        |      |       | 1        |
| g) Other (Citizenry etc.)                                                    | 1        | 1     | 1      | 1    | 1     | 1        |

Note. 1: Annually; 2: Every six months; 3: Every Quarter.

All the cities studied consider important or very important the contribution of performance measures to “Performance-oriented budgeting processes” as shown in Table 3. This answer shows the crucial role of the budget in traditional bureaucratic public administration styles. Only Kawasaki consider the application of performance measures to management processes related to personnel (e.g., appraisal by objectives or pay-for-performance) important.

Table 3

Important Management Processes of Using Performance Measures

B. Background information (For users with centralized, city-wide in systems)

(1) How important are performance measures to the following management processes in your city?

|                        | Yokohama | Osaka | Nagoya | Kobe | Kyoto | Kawasaki |
|------------------------|----------|-------|--------|------|-------|----------|
| a) Personnel-oriented processes, such as MBO or appraisal by objectives. | 4        | 4     | 3      | 3    | 3     | 2        |
| b) Performance-oriented budgeting processes, such as program, or results oriented budgeting systems. | 2        | 2     | 2      | 1    | 2     |          |
| c) Strategic planning activities.                                          | 1        | 4     | 2      | 2    | 2     |          |
| d) Strategic management processes, such as tracking the progress of strategic initiatives. | 1        | 3     | 2      | 2    | 2     |          |
| e) “Benchmarking” of city departments and services against other, similar cities. | 3        | 3     | 2      | 2    | 2     |          |
| f) Collecting baseline data for monitoring effectiveness of continuous improvement efforts. | 3        |       | 1      |      |       |          |
| g) Incentive systems such as pay-for-performance, shared savings, or gain-sharing programs. | 4        | 4     | 2      |      |       |          |
| h) Targeting particular programs for more intensive evaluations.           | 4        | 4     | 2      |      |       |          |

Note. 1: Very important; 2: Important; 3: Somewhat important; 4: Not at all important.

All the local governments studied have involved managers in the setting of performance measures and have had some trouble in getting lower-level employees to support the performance measurement systems as shown in Table 4. The biggest problem in getting staff support and understanding is the workload involved in preparing evaluation sheets. In particular, this is a problem in Nagoya and Yokohama, and this is one reason that Yokohama stopped accountability-oriented performance evaluation.

Citizen surveys are used, to a great extent, in the development of performance measures, although, except
for Kawasaki, citizens are not directly involved in the implementation processes.

Table 4

Extent of Developing Performance Measures

C. The development of performance measures

(1) To what extent do the following statements describe how performance measures are developed in your city?

| Statement                                                                 | Yokohama | Osaka | Nagoya | Kobe | Kyoto | Kawasaki |
|---------------------------------------------------------------------------|----------|-------|--------|------|-------|----------|
| (a) We involve managers in the development of performance measures.       | 1        | 1     | 1      | 1    | 1     | 1        |
| (b) We have trouble in getting the city council to support our            | 2        | 1     | 3      | 3    | 3     | 3        |
| performance measurement system.                                           |          |       |        |      |       |          |
| (c) We involve citizens and/or citizen’s groups in the development        | 3        | 4     | 4      | 2    | 1     | 1        |
| of performance measures.                                                  |          |       |        |      |       |          |
| (d) Data from citizen surveys help to determine criteria to include in    | 2        | 2     | 1      | 1    | 2     | 2        |
| our measurement system.                                                   |          |       |        |      |       |          |
| (e) We have trouble in getting lower-level employees to support our       | 2        | 1     | 3      | 3    | 2     | 2        |
| performance measurement system.                                           |          |       |        |      |       |          |
| (f) We involve lower-level employees in the development of performance   | 2        | 1     | 1      | 1    | 1     | 1        |
| measures.                                                                 |          |       |        |      |       |          |
| (g) We have trouble in getting citizens to support our performance        | 2        | 4     | 4      |      |       |          |
| measurement system.                                                       |          |       |        |      |       |          |

Note. 1: Usually; 2: Sometimes; 3: Seldom; 4: Never.

Table 5

Extent of Operating Performance Measures

D. The operation of performance measures

(1) To what extent do the following statements describe how performance measures operate in your city?

| Statement                                                                 | Yokohama | Osaka | Nagoya | Kobe | Kyoto | Kawasaki |
|---------------------------------------------------------------------------|----------|-------|--------|------|-------|----------|
| (a) We use similar measures to compare performance among operating units. | 4        | 2     | 4      | 4    | 4     | 4        |
| (b) We use measures to track performance over time.                       | 2        | 1     | 1      | 1    | 2     | 2        |
| (c) When developing performance measures, we focus on what is important  | 3        | 3     | 2      | 2    | 2     | 2        |
| not on the data available.                                                |          |       |        |      |       |          |
| (d) Our measures are derived from the mission, goals, objectives, and    | 1        | 3     | 1      | 1    | 1     | 2        |
| service standards.                                                        |          |       |        |      |       |          |
| (e) We have trouble in measuring the quality of our programs and services.| 1        | 1     | 2      | 2    | 2     | 2        |
| (f) We have trouble in keeping our performance measures up-to-date.       | 2        | 1     | 2      | 2    | 2     | 2        |
| (g) Our staff lacks the analytical skills needed to analyze the           |          |       |        |      |       |          |
| performance measurement data.                                             |          |       |        |      |       |          |
| (h) Data from our performance measurement are used in pay rises and       |          |       |        |      |       |          |
| promotions.                                                               |          |       |        |      |       |          |
| (i) We have trouble in compiling the data from performance               |          |       |        |      |       |          |
| measurement in a timely manner.                                           |          |       |        |      |       |          |

Note. 1: Commonly; 2: Sometimes; 3: Rarely; 4: Not at all.

Almost none of the cities perform comparisons between departments or municipalities, although all of them have followed a top-down approach as shown in Table 5. In Japanese local government, the potential of comparisons between departments and cities is not recognized, so it is difficult to validate target values and results. Therefore, even when used indirectly in personnel evaluations, performance measurement data are not necessarily related to personnel evaluations in a systematic or direct manner. Japanese municipalities are more interested in time series analysis than in cross comparison with other departments, because of their priority with
As can be seen in Table 6, the better scores in performance measurement outcomes are found in Kobe, Kyoto, and Kawasaki. Except for Yokohama, all the cities believe that their policies and programs have changed for the better. In general, there is a great degree of coincidence in considering that performance measures have brought about improvements in the quality of decisions, quality of services, and accountability of individual managers. Furthermore, all of them find an influence of performance measures in improving the level of employee focus on organizational goals, even though none of these local governments consider the influence of performance measures important in issues related to employees such as personnel performance appraisals. These cities consider important the contribution of performance measures to the reduction of cost.

Table 7 shows the set of performance indicators elaborated on the basis of the performance measurement system. As can be seen in almost all cases, output indicators, which represent the workload of the services, have been indicated more than other kinds of performance measures because, considered alone, they are not sensitive to political or managerial criticism in possible benchmarking and/or evaluation processes.

Table 6
Impact of Performance Measurement System

| (1) How would you characterize the impact of your performance measurement system on the following areas? | Yokohama | Osaka | Nagoya | Kobe | Kyoto | Kawasaki |
|---------------------------------------------------------------|------------|-------|-------|------|-------|----------|
| (a) Changes in the focus or emphasis of programs. | 3 | 2 | 2 | 1 | 2 | 2 |
| (b) Improvements in the quality of decisions or decision-making capacity. | 2 | 3 | 2 | 2 | 2 | 2 |
| (c) Changes in program priorities. | 2 | 3 | 2 | 2 | 2 | 2 |
| (e) Improvements in the objectivity of personnel performance appraisals. | 4 | 2 | 2 | 2 | 2 | 2 |
| (f) Improvements in service quality. | 3 | 2 | 1 | 2 | 2 | 2 |
| (g) Improvements in the level of employee focus on organizational goals. | 2 | 2 | 2 | 2 | 2 | 2 |
| (h) Reductions in the cost of city operations. | 3 | 1 | 1 | 1 | 2 | 2 |
| (i) Improvements in the relationship between administrators and elected officials. | 2 | 4 | 2 | 2 | 2 | 2 |
| (j) Improvements in the accountability of individual managers. | 3 | 2 | 2 | 2 | 2 | 2 |

Note. 1: Substantial; 2: Moderate; 3: Slight; 4: None.

Table 7
Performance Measure Applications

|                     | Output | Efficiency | Effectiveness | Service quality | Satisfaction |
|---------------------|--------|------------|---------------|----------------|--------------|
| Yokohama           | 89%    | 0%         | 89%           | 89%            | 89%          |
| Osaka              | 74%    | 0%         | 47%           | 0%             | 5%           |
| Nagoya             | 79%    | 58%        | 53%           | 16%            | 11%          |
| Kobe               | 63%    | 63%        | 26%           | 0%             | 5%           |
| Kyoto              | 100%   | 100%       | 79%           | 0%             | 79%          |
| Kawasaki           | 68%    | 0%         | 42%           | 5%             | 0%           |

The orientation of performance measure to the budgetary process explains that some local governments do not disclose efficiency measures. Each city sets outcome indicators from an achievement-oriented perspective, but except for Kyoto, there is not much potential for comparison with other cities. At present, none initiative of
comparison between cities has been taken in Japan.

**Discussion**

The local government studies give a positive global opinion about the implementation experience, in terms of improvements in the quality of decisions or decision-making capacity and in the accountability of individual managers. The introduction of performance measurement systems in the public sector has typically been linked to the agency and institutional approaches. Performance measures in public entities often have the dual function of producing information for internal and external use, which makes the agency relationship less straightforward than in the private sector. There are intra-organizational determinants which basically use an economic and rational decision-making argumentation: all interviewees agree that performance measures can help produce better decisions. Likewise, extra-organizational determinants are derived from the idea that organizations adapt their structures and processes to external demands and expectations as a symbol of responsiveness and good management. The intrinsic value of production and collection of performance measures in terms of image contribute to explaining the “decoupling” of performance measurement systems not integrated with the overall management of the organization, as the institutional theory states. The Japanese case also shows the dual pressures detected in Anglo-Saxon countries to meet external accountability demands and improve their internal performance with the same pool of performance indicators (Boyne, Martin, & Walker, 2004). This leads us to distinguish between the availability of performance information and its use for decision-making. Zimmerman (1977) stated that government officials do not volunteer more information than is required or in their interest, and that performance disclosures are often made only in response to demand. The challenge is how to reconcile the disclosure of external and comparable performance indicators with their usefulness for decision-making.

The Japanese central government does not require local governments to implement performance measurement systems for accountability or decision-making purposes. It is a case of discretionary implementation of performance measures in local governments since there are no pressures, guidelines, rules or legal dispositions from central government for this purpose. The Japanese central government has adopted a bottom-up approach giving freedom to local governments to decide whether or not to implement and/or disclose performance measures, which performance indicators to disclose, if any, and how to do it. The local government studies have applied top-down approach, probably due to the strong position of mayors who are directly elected by citizens. This policy has led to important variations in practices across local governments.

The results show that only Kawasaki considers performance-related payments as an important incentive system. In most cities, salaries are negotiated under a pay step system in which there are the same salaries for the same staff qualification level and there is reluctance to introduce bonuses based on productivity achievements, measured by performance indicators. When a productivity bonus is introduced, the amount is not significant. In designing an implementation policy, “conflict” and “ambiguity” are often negatively correlated. Ambiguity is a way to limit conflicts. The Japanese central government, instead of using coercion, has adopted a policy that minimizes potential conflicts in the implementation of performance measures, possibly because of the special status of civil servants and the strong political position of mayors. The policy of avoiding conflicts in the implementation of performance measures, together with the high ambiguity resulting from the lack of guidelines, place the Japanese case, following the above-mentioned conflict/ambiguity approach, into the “experimental” model. The resulting model is “experimental” because the implementation policy of
performance measures at central and local government levels has been to avoid conflicts even at the expense of both high ambiguity and of making the implementation of performance measurement optional. This classification is also consistent with the findings of our study about the “decoupling” between performance measures and traditional organizational and managerial structures, as well as in the absence of real consequences resulting from the implementation of performance measurement systems. The weak integration means that local governments maintain their work routines and procedures after the implementation, which leads to a decoupling between performance measures and job responsibilities.

As a consequence of the high level of ambiguity and low level of conflict detected, the local government studies show different and non-comparable performance measurement systems, implementation procedures, and actual results. The lack of conflict has allowed the use of top-down implementation techniques, since it is possible to combine centralized guidelines from mayors or city managers’ offices with the participation of a number of actors interested in including their views in the implementation process. Output indicators are the most common performance measure in all services and cities, because they are easy to obtain and have low exposure to criticism.

Managers look for ways of minimizing the impact of public management reforms on their work by treating it as a formal requirement that has little practical importance for their real work and routines and contributes to creating the decoupling effect. Notwithstanding, the existence of decoupling and the non-use of the performance measurement systems for decision-making purposes do not necessarily mean that the performance measurement systems do not have any effects in Japan. In many cases, the performance evaluation system has provided useful information for performance-oriented budgeting processes. Especially in the case of Kawasaki, bureaus of planning finance and personnel use the common evaluation information data base for their decision making.

Conclusions

This paper has followed a cross-theory strategy, which allows us to build a wider explanation of the cases studies based on a range of plausible theoretical interpretations. The findings are consistent with the “institutional theory” and “conflict/ambiguity” approaches, which highlight, respectively, pressures from the institutional environment to adopt structures and practices with high social value, and the interest of key actors in experimenting with different ways of performance measure implementation.

This study shows that performance measurement systems, in practice, are designed to fit into the traditional organization structure of each local government. As each local government has different approaches, goals, and objectives, the choice of suitable performance indicators is at the discretion of the management. This makes benchmarking between cities difficult since, when performance indicators are disclosed, they are not comparable. The answers of interviewees show that central governments or oversight bodies have no influence over performance indicator design and disclosure by local governments.

Although public management literature shows the impact of the institutional image value on the use of performance measurements, in the Japanese case, it is not clear how the design of these measurements can serve the ad hoc interests of the actors who are involved in the processes. As citizens remain unaware of the implementation processes and performance measures have no real impact on organizational structures, an explanation seems to be that of creating a reputation for the city of being “well managed” in order to gain legitimacy, which is consistent with the interests of politicians and senior managers.
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