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New development: Public managers between a rock and a hard place—social-financial sustainability in local government

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IMPACT

The article sheds light on the intricate trade-offs encountered by public managers when coping with competing priorities and navigating between social and financial sustainability. For public managers, the key takeaway lies in recognizing that achieving social-financial sustainability necessitates specific strategies, organizational structures, and tools in public organization. These elements must be integrated, for instance, into performance goals combining social-financial sustainability. As trade-offs are made in budgeting and financial management processes, participatory and collaborative approaches are essential for desired social-financial sustainability impacts. By identifying and highlighting these trade-offs, the article initiates a dialogue where various stakeholders—each with distinct roles, goals, and values—can converge.

ABSTRACT

Sustainability is often studied as an environmental or economic issue with a strong focus on metrics. The social dimension has received little attention in public administration research, and even less is known about the social and financial sustainability nexus. This article provides empirical insights, illustrating that socially and financially sustainable local government requires deep understanding of the decision-making processes in financial management and budgeting with respect to how much to spend and on what.

Keywords

Budgeting; financial management; financial sustainability; local government; public management; social sustainability

Introduction

One of the basic characteristics of public management is that it must balance intersecting values and expectations (Brunsson, 1986; Christensen & Lægred, 2011; Torfing & Triantafyllou, 2013). The problem of value conflicts has been examined in light of various theories (for example De Graaf et al., 2016; Røhnebak & Breit, 2022), and Lipsky (1980) early raised the classic dilemma of efficiency and effectiveness. In recent years, sustainability objectives have put economic realities and ever-increasing demands for efficiency at odds with social and environmental aims. Despite sustainability having been recognized as an important objective in the strategies of public organizations, concrete management practices remain underdeveloped (Zeemering, 2018), and there is a need to better understand what sustainability means in managerial practice and how public managers should cope with it.

This article focuses on the trade-off between financial and social sustainability in local government (LG) bearing in mind that the social dimension is a key tenet of LG (Leunenberg, 2006). Social sustainability refers to the need to ensure the potential for prosperity brought about by economic growth (Purvis et al., 2019), and it has been recognized as the weakest pillar of sustainability—particularly with regard to its analytical and theoretical underpinnings (Basson et al., 2018; Krause et al., 2016; Zeemering, 2018). Social sustainability is typically viewed in terms of factors such as the fairness of income distribution, access to social services, gender equality, political accountability and civic participation (Dempsey et al., 2009; Reed, 1997). In the LG

context, financial sustainability concerns the impact of current LG activities on the capacity to provide services in the future (Bolívar et al., 2014; Hajilou et al., 2018).

This article is important in that the organizational viewpoint has not been sufficiently addressed by researchers: theoretical discussions on sustainability often ignore the question of implementation (Deslatte & Stokan, 2020; Lennox et al., 2018; Purvis et al., 2019; Saha, 2009). The article provides new understanding regarding the implementation of sustainability strategies in LG by looking beyond policy tools and strategic planning (for example Guarini et al., 2021; Kettunen et al., 2020; Zeemering, 2018) and by elaborating on the social and financial sustainability nexus and the concrete trade-off situations that managers face in LGs. We focus on LG managers' viewpoints, which is relevant because LGs are at the front line for many pressing societal challenges—from infrastructure upkeep and community development to climate change mitigation and adaptation (Basson et al., 2018; Deslatte & Stokan, 2020; Fiorino, 2010; Yi et al., 2018). Given this focus, we address the lack of understanding regarding the implementation of sustainability with respect to the financial decisions, commitments and actions of organizations (for example Brorström et al., 2018; Fiorino, 2010; Guarini et al., 2021; Hamdouch & Zuideau, 2010).

We applied a qualitative approach to answer two questions:

What do social and financial sustainability mean for the public managers and financial experts responsible for the implementation of sustainability strategies?

How do public managers and financial experts make and justify choices that embody their perceptions of social and financial sustainability?

In answering these questions, we formulate recommendations for future research on and management of social and financial sustainability in LG.

Methodology and data

We selected a qualitative case approach for this study, as it can generate detailed information on the conditions, critical events, and processes of sustainability as an economic activity of a LG (see Eisenhardt, 1989; Jensen & Rodgers, 2001; Yin, 2014). The study was carried out in Finland, which provides an interesting context for studying sustainability management because Finnish LGs are characterized by strong self-governance, financial autonomy, and independence from the state hierarchy (Vakkala et al., 2021). Sustainability is enshrined in the Finnish Local Government Act (410/2015, section 1), which mandates that ‘Municipalities shall advance the well-being of their residents and the vitality of their respective areas and shall arrange services for their residents in a way that is financially, socially and environmentally sustainable’. While there is no regulation or strong steering by the central government, LGs often highlight sustainability issues in their mandatory strategy documents and have started to integrate sustainability into their reporting processes (Kettunen et al., 2020; Lähteenoja et al., 2021).

Our case study concentrates on education services in the city of Tampere, which is situated in southern Finland. While Tampere, with its approximately 241,700 inhabitants, is a growing city, it struggles with inadequate financial resources. The city’s operations are organized as a central administration and four service areas, of which education and culture services account for 20% of the city’s total spending (City of Tampere, 2020). Children’s day care and education services are part of the education and culture service area. The 2021 operational budget for day care and education services was approximately 332.1 million euros, which was approximately 75.9% of the total budget for the education and culture services area.

We considered a qualitative case study approach, especially interview-based data collection, to be appropriate for developing an in-depth understanding of socially and financially sustainable management practices in LGs (see Tucker, 2020). Content analysis of interview data was applied to understand how managers perceive the social and financial sustainability nexus and the kinds of choices they make regarding social–financial sustainability (see Duriau et al., 2007). These were also the themes of semi-structured thematic interviews. We interviewed pedagogical ($N = 5$) and financial managers ($N = 3$) and senior experts ($N = 5$) in Tampere in November 2020. The interviewees worked in the central administration of the education and culture services area and in the city’s schools and day care centres and were responsible for implementing sustainability strategies. The interviews were carried out face-to-face. Each lasted approximately 60 minutes and was digitally audio recorded and professionally transcribed verbatim; in total, 269 pages of transcript were produced. Atlas.ti software was used to code the data, which was analysed as a whole, and individual interviewees cannot be

identified. Researcher triangulation was applied to enhance data consistency and validity (see Miles et al., 2019; Patton, 1999).

The social and financial sustainability nexus in educational services management

Social and financial sustainability in day care and education services

There was no uncertainty among the interviewees regarding the importance of social sustainability. They pointed to social sustainability as being ‘at the core of everything’ and as the premise of ‘what we’re doing’. However, a view of social and financial sustainability as separate phenomena was detected. The difficulties surrounding financial debates in the education sector became apparent. One interviewee summed them up as follows: ‘In the field of education, in general, the economy has been the biggest resource troll and the reason that there will never be enough resources, but then again, it sometimes feels like there are so many resources that heads are clattering together’.

Concerning social sustainability, the education professionals highlighted the provision of equal learning and growth opportunities for all children regardless of background. This surfaced in all of our interviews, although with varied expression: ‘growing up to be a good person’, ‘happy people doing well in life’, and ‘it’s all about making sure kids and adults are doing well’. The economic situation was identified as a major contributor to all service operations. With respect to service production, particularly in terms of performance, the view emerged that ‘we cannot be sustainable without being effective’. Productivity and performance–development claims were identified, and scarce resources were considered a source of continuous struggle, especially in the context of recruitment.

There were also contradictions in defining socially and financially sustainable activities. In the words of an early childhood education manager:

Of course, the prospect of economic efficiency, which has been rolled out nationwide throughout early childhood education and day care services in the last 10 years, has resulted in contradictions in our aims of being socially sustainable and providing a good education service and high-quality education, and these all occur at the expense of the children.

The interview data reflected the tensions surrounding social and financial sustainability that both the managers and the financial experts faced. This was apparent in their difficulties in providing simultaneous interpretations of social and financial sustainability in education services.

Managerial choices at the social and financial sustainability nexus

Financial resources determine the scope of activities provided to children. Managers determine group size, which directly affects the relationship between adults and children via the number of encounters in a day. Financial, and human resource planning takes centre stage when designing the ratio of needs and costs.

Another management task that emerged from the data involved the ‘lyricism of world change’. This refers to the mobilization of topics and aims highlighted in city and

national strategies. For example, bullying prevention and emotional and cultural skills were seen as broad social phenomena that, through various strategies and projects, should become tangible, routine activities in day care centres and schools. The reliance on project funding was evident in both positive and negative contexts. It allowed for new approaches and experiments but also the possibility of limiting many desirable practices by making them periodic.

The interviewees highlighted that educational and teaching services had revealed deepening socioeconomic polarization in society and within schools. This underlines the importance of social sustainability, particularly from the perspective of equality, as part of performance evaluations in relation to societal effects, impacts, and outcomes. Socially sustainable choices may not be the most advantageous financially, and we asked the interviewees to think about meaningful differences between financial sustainability and a costly or cheap option in euro terms; in the words of one interviewee: 'Yes, it's financially sustainable, but maybe it's not necessarily cheap'. Numerous other conflicts that embodied the tensions between financial and social sustainability emerged during the interviews: quantity versus quality, efficiency versus work well-being, tightening the screws versus other development solutions for productivity, relief for teachers versus needed support for students, own silo versus service system, school-led versus city-level development, and principals' power versus teachers' autonomy. All these conflicts were reflected the practical choices, or trade-offs, made in the management of education services and the struggle for the most cost-effective solution in the provision of sustainable services.

Structures, resources, and practices that enable socially and financially sustainable day care and education

During discussions on the factors that promote or hinder the making of socially sustainable choices, the interviewees referred to both the organizing of education (comprehensive schools) and the management system (for example teams, management groups, development groups). Many of the solutions that enabled sustainable day care and education reflected the national core curriculum for basic education set by the Finnish National Agency for Education. The curriculum calls for, among other things, multidisciplinary learning, transversal competences, and diversity in pupil assessments. The interviewees also stressed the centrality of teacher well-being as an enabler of sustainable education.

A proactive and systematic approach to leadership was called for, as well as direct and dialogic interactions with employees. The managers stressed the commitment of managers to shared leadership. 'Sharing of resources' was a more general message related to teaching and management. The idea of schools as well-being centres where citizens can come together was related to more effective and sustainable use of public investments. An analysis of the service network and the use of a 'helicopter perspective' were discussed when seeking more efficient ways to provide public services. Citizen participation was

considered important for learning about the needs of service users.

On a more general level, will and concrete resources—'courage and chips'—to change structures was emphasized. In Tampere, a key tool identified by the interviewees to empower unit leaders when they are planning operations and bringing together social and financial perspectives was the possibility of planning their own economies. Allowing this possibility can address the problem of financial scarcity in meeting service needs, as financial planning is more successful when done in collaboration with public service experts.

Moreover, the significant impact of the wider institutional structure and national-level guidance and supervision are worth highlighting. The problem of path dependency was also identified. One interviewee articulated this as follows: 'We've always added something to the existing service system but never removed anything'.

Recommendations for sustainable public management

Our case study highlighted numerous trade-offs in which the public managers were placed between 'a rock and a hard place'. First, in line with the literature underscoring the importance of including sustainability in strategy (see Guarini et al., 2021; Kettunen et al., 2020; Zeemering, 2018), our study identified the strategic level as a crucial area for sustainable public management. However, the interviewees did not recognize difficult trade-offs between social and financial sustainability in this regard. This is probably because the level of abstraction in LG strategies is high, and in most cases, it was easy to agree with and commit to abstract objectives that are broad and universal rather than very detailed. Indeed, public strategies are often abstract because of their political nature, and they provide few concrete answers for those who struggle with scarce resources and high service expectations. However, trade-offs will also become visible on the strategic level if strategies are emphasized as management tools, and this necessitates active participation in strategy design and planning from public managers throughout the LG. Moreover, the case study uncovered a narrow view of financial sustainability and the need to gain a wider strategic view of financial sustainability and what it requires in LG activities (see Cohen et al., 2012; Sinervo, 2014). Thus, we recommend that managerial frameworks for social-financial sustainability be created and implemented in LGs. LGs also need to develop structures, tools, and organizational cultures that acknowledge and support social-financial sustainability management and enable follow-up and control of the transition. This means that public officials have to be prepared and educated on the shift towards socially and financially sustainable LG and on the use of new managerial tools and practices.

Second, there is a need to better understand social-financial sustainability as a goal in organizational performance. Our findings show that balancing social and financial sustainability becomes difficult when strategies are operationalized. Managers are dealing with concrete trade-off situations when making decisions on what, where, and how public services are organized. It is also a question of how social-financial sustainability is understood and valued.

The managers considered open communication and continuous conversation as the only ways to change the system. The need for performance dialogue has also been emphasized in performance management literature (see Laihonon & Mäntylä, 2017). From a performative viewpoint, steps towards a more inclusive and equal society require that the social and financial sustainability nexus become a recurring topic in performance dialogues in which the objectives and values of LGs are defined (De Graaf et al., 2016; Røhnebak & Breit, 2022). However, based on our findings, financial data remain the determining factor in performance dialogues and collective knowledge formation (Laihonon et al., 2023). Also, it seems that sustainability currently sets an additional criterion for performance evaluation; however, it should, instead, change how resources, processes, outputs, and outcomes are defined and perceived in LGs. Our recommendation is that LGs and public managers consciously require and promote dialogues that bring together the viewpoints of financial management and service operations in both planning and controlling service performance.

Third, the central arena for managers to deal with social–financial sustainability trade-offs, based on our case study, is resource allocation. The social–financial sustainability viewpoint culminates in resource allocation and, therefore, the actions, practices, and resources in LGs' budgetary processes should be carefully examined in sustainability management. Only then will the possibility of sustainability transitions at local and global levels emerge, with LGs paving the way (see Figueira et al., 2018). Focusing only on productivity improvement and cost control may burden personnel and weaken well-being at work, thereby further lowering the quality and availability of public services.

In financial planning, financial managers and experts have traditionally depended on practices and experiences from earlier years (for example Anessi-Pessina et al., 2016). However, resource allocation choices are precisely those that impact and define the social and financial sustainability nexus in LG. While financial management is a fundamental management device and a tool intended to impact the economy and society (Saliterer et al., 2018), social–financial sustainability viewpoints on these processes require greater emphasis on both theory and practice. Timely and well-allocated resources are key to sustainable operations, which

underscores the need for concrete, clear, and understandable ways of communicating sustainability agendas and strategies throughout the organization. Our case study shows that the accrual-based budgeting and planning tools introduced for schools and day care centres in the case LG have significantly improved integration of the social and financial aspects of education, and managers continuously evaluate the available resources, methods used, and learning outcomes. We recommend that social and financial sustainability be pursued concretely in financial management and budgeting practices and in decision-making. This requires dialogic and participatory processes in financial management and budgeting (see Sinervo et al., 2024), which can pave the way for sustainable governance in LG (Pulkkinen et al., 2024).

To summarize the discussion and inform LG scholars' and practitioners' understanding of and practices in sustainability management, Table 1 offers recommendations for research on and management of socially and financially sustainable public services in LG.

Conclusions

This article contributes to the literature in two ways. First, it shows the importance of managing sustainability in public services. The literature has previously focused on the strategic level, and there is a need to better understand how sustainability policies and strategies affect public management practices. The central message of this article is that sustainability is more than a strategic issue; the implementation of policies and strategies means that sustainability must be considered in every decision-making situation, including at the level of service management. Second, our study provides important evidence regarding the contradictory pressures of social and financial sustainability in LGs. The practical implication of this finding is that the social and financial sustainability nexus needs to be considered in financial planning because the interlinkages of social and financial sustainability may reveal factors that remain hidden when the focus is on a single area. Although a need exists for specialized discussions on sustainability perspectives, we clearly observed a need for an overarching management dialogue.

Research evaluating the effects of sustainability policies, strategies and practices at different levels of LG is needed. The perspectives of different shareholders must also be considered when assessing these effects. Further research is required regarding social viewpoints on sustainability to deepen understanding of sustainable ways of financing and organizing public services. Moreover, studies on different public services may provide valuable knowledge on managing LGs in their pursuit of sustainability.

Public managers play a crucial role in fostering sustainable LGs. To achieve this, social–financial sustainability needs to be integrated more thoroughly by adopting holistic management frameworks and developing practical indicators. Cultivating organizational cultures aligned with sustainability goals are essential. Also, there is a need for education and preparation to navigate the shift toward socially and financially sustainable LGs. Addressing sustainability concretely in budgeting practices and decision-making is crucial. By integrating these lessons,

Table 1. Recommendations for the management of socially and financially sustainable public services.

<i>Recommendations for sustainable public management</i>	
1	Frameworks that approach and combine the effects of various managerial actions on social and financial sustainability are needed, as are theoretically sound and practically feasible indicators to measure, test, and develop social and financial sustainability in LG.
2	LGs need to develop strategies, structures, and organizational cultures and values that actively promote social and financial sustainability.
3	Public officials need to be prepared and educated on the shift towards socially and financially sustainable LG. New management practices and tools are also needed to support, follow, and control the transition.
4	There is a need to better understand the social and financial sustainability nexus and its implications for organizational performance. Performance dialogues bringing together the viewpoints of financial management and service operations need to be promoted in both planning and controlling service performance.
5	There is a need to pursue social and financial sustainability concretely in financial management and budgeting practices and in decision-making. Social-financial sustainability trade-offs are often made in resource allocation and budgeting processes.

public managers can greatly impact to socially and financially sustainable LGs.

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