THE ROLE OF MANAGEMENT ACCOUNTING SYSTEMS IN ENHANCING ORGANISATIONAL EFFECTIVENESSS IN JORDANIAN COMMERCIAL BANKS
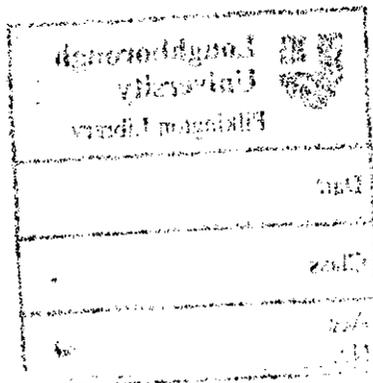
A thesis submitted to

Loughborough University

For the degree of

Doctor of Philosophy

2005

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ABSTRACT

The Role of Management Accounting Systems in Enhancing Organizational Effectiveness in Jordanian Commercial Banks

The research looks at the nature of MAS in Jordan, and at its role in enhancing organizational effectiveness in Jordanian commercial banks. It looks into MAS, their design, the causes behind their design, the operation of MAS, and subsequently any effects on OE. The first part of the fieldwork is a case study on one of the nine Jordanian commercial banks that form the research population. Data was collected from 16 personal semi-structured interviews on the different aspects of MAS adopted in the case study.

The second part of the fieldwork is a survey that covered the remaining eight Jordanian commercial banks. Data was collected from the eight banks through personal interviews based on the findings from the case study.

The literature reviewed included areas of management accounting, management accounting research, management accounting systems, and organizational effectiveness

Key words: MAS theory, MAS design, OE, Jordanian commercial banks

To the memory of

Kamel J. Asali (1925 - 1995) who dedicated his life and work to researching the history of Jerusalem.

ACKNOWLEDGEMENTS

Table of Contents

List of Exhibits

List of Appendices

Appendix

Bibliography

CHAPTER 1

THE RESEARCH QUESTION AND THE KINGDOM OF JORDAN

This research investigates management accounting systems [MAS] in Jordan and their role in enhancing organisational effectiveness [OE] in commercial banks. It asks how well does the MAS work, and how why and with what consequences does MAS seem to impact on OE in this particular segment of the Jordanian economy.

This broad question, of course, embraces a number of others, viz:

- How are MAS constructed in the given context of commercial banking?

- What kind of information do these systems generate, and to the benefit of what users?

- How are these systems and the information they deliver evaluated by professional and managerial staff (users) in banks?

- Do these MAS deal primarily in historic data, or are they forward looking?

- What management functions or activities are facilitated by MAS?

- What are the specific contributions to OE, in different departments of the banks and at different levels?

- Are any shortcomings in the causal nexus MAS-OE related to the tension between western MAS and the dominant Arab culture of Jordan, driven by deference, familism, the priority of personal relations, and the recognition that it is not entirely possible to shape outcomes by planning and control.

   The research proceeds by means of a rather extensive study of one particular bank, Phoenix bank, and is supported by multiple interviews in all other Jordanian commercial banks.

Jordan is a small country and has not been the subject of a great deal of management research to date. Our study therefore, has a further value in that it illuminates the reality of organisational life and management behaviour in a stable, peaceful and moderate Arab sate. Thus, in a small way, this thesis is a contribution to the comparative management literature.

1.1 JORDAN IN HISTORY

The land which geographers call Transjordania or more simply Transjordan occupies an area of just over 90,000 sq. km. (Salibi, 1993, p. 3). The population of Transjordan has grown from 225,000 in 1922 (Wilson, 1990, p. 56) to 5.33 million today, nearly a quarter of them living in the capital Amman (Central Bank of Jordan, *Monthly Statistical Bulletin*, June 2003).

From west to east the country consists of three natural regions, which converge in the south on the port of Aqaba on the Red Sea (Exhibit 1.1, Geographical Map of Jordan).

The first natural region of Jordan comprises the eastern parts of the great rift valley of the Ghor (Meaning the sunken land) and Wadi Araba. The Ghor, the lowest point on earth (being 392 metres below sea-level), with its rich alluvial soil, is irrigated by the Jordan River and its tributaries, which makes it the green house of the region.

Next are the highlands bordering the Ghor and Wadi Araba from the east. Geographically speaking it is principally this region that is called Transjordan. These highlands have been historically the most densely populated (Salibi, 1993, p. 5).

The third natural region lies beyond the Transjordanian highland: the gravel plateau of the Syro-Arabian desert (Badyat Alsham) patched with areas of basalt and tilting gradually eastward towards the frontier with Iraq [Exhibit 1.1, Geographical Map of Jordan]. This desert today forms more than three quarters of the total area of Jordan.

Amman, which in 1921 became the capital of Jordan, is situated on the headwaters of the Zarqa tributary of the Jordan River (Exhibit 1.1, Geographical Map of Jordan). Amman was a natural meeting point for the Syro-Arabian caravan trails which accounts for the prominence it enjoyed in antiquity (Exhibit 1.2, Trading Routes in Ancient Jordan). The modern revival of Amman began in 1908 when it became one of the principal stations of the new Hijaz railway constructed by the Ottomans to connect the Syrian city of Damascus with the Hijaz city of Medina (Hijaz a geographical area in the Arabian Peninsula located on the Red Sea, see Exhibit 1.3, Political Map of The Middle East).

Down the ages, the strategic importance of the present land of Jordan has been derived to a great extent from its status as a major highway, and the natural connection between Syria and Arabia (Salibi, 1993, p. 7). Since the spread of Islam this same highway gained

Exhibit 1.1

Geographical Map of Jordan

LAKE TIBERIUS

SYRIA

IRAQ

YARMOUK RIVER

IRBID

BADIYAT AL-SHAM

WEST BANK

RIVER JORDAN

ZARQA RIVER

JERUSALEM

AMMAN

OASIS OF AZRAQ

DEAD SEA

BADIYAT AL-SHAM

WADI ARABA

SAUDI ARABIA

PETRA

MAAN

TRANSJORDANIA

MOUNTAINS

BADIYAT ALSHAM

GHOR/JORAN VALLEY

AQABA
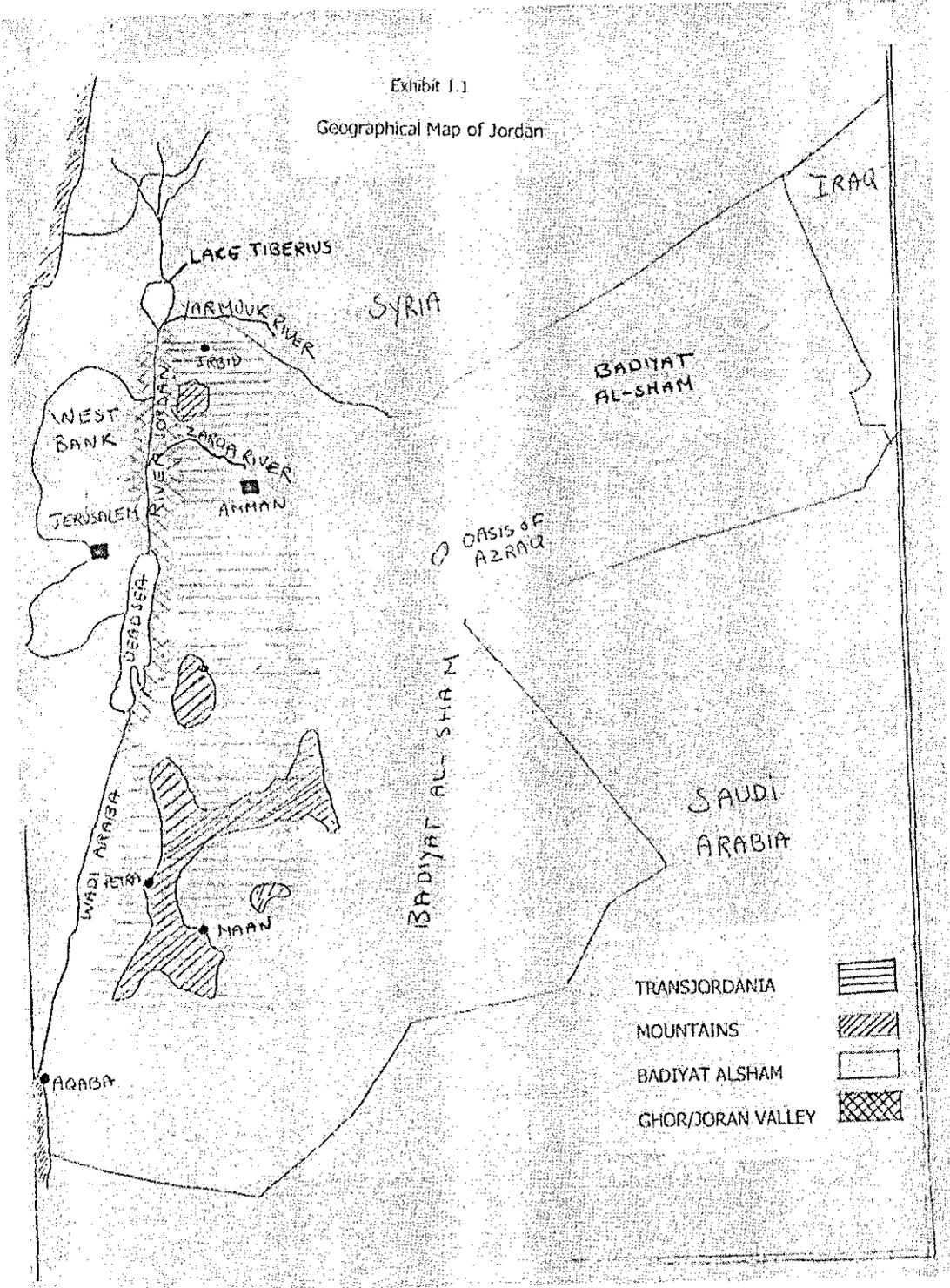
special importance as Tareeq-al-Hajj (pilgrims' road) annually taken by Moslems travelling by land from various countries on their way to the holy land of Hijaz.

1.1.1 The Foundation of The Hashemite Kingdom of Jordan

The long and chequered history of Jordan involved several centuries of Ottoman (Turkish) rule, beginning in 1517. By the early 20th century, however, the Ottoman empire was in decline, and finally disintegrated in the course of the First World War (1914-18), in part because of the Arab revolt against Turkish rule encouraged by the British for their own purposes.

After the First World War territories that eventually became the state of Jordan and Israel and part of Iraq (Exhibit 1.3, Political Map of Middle East) were mandated to the British by the League of Nations. The territorial politics of this post First World War period are immensely complicated, but eventuated in the Emirate of Transjordan being formally recognised on 15 may 1922 as a national state being prepared for independence under the general supervision of the British High Commissioner in Jerusalem. On 22 may 1946 a new Anglo-Transjordanian treaty was signed proclaiming the independence of Transjordan.

This prompted the Transjordanian cabinet to take a decision to change the name of the country to The Hashemite Kingdom of Jordan, and to change the title of the ruling Emir Abdullah to that of King Abdullah I.

The key territorial development after this event concerns the area now known as the West Bank. The 1948 partition of Palestine that created the state of Israel left Jordan in an unchallenged occupation of the West Bank. In 1950 the Jordanian Parliament formally incorporated it, thereby significantly increasing Jordan's population. The Six Days War of 1967, led to the West Bank coming under *de facto* Israeli control and created an acute refugee problem for Jordan. At the time writing (2005) the future of the West Bank is undecided, though a peaceful Israeli withdrawal from this area is greatly desired.

Exhibit 1.2

Trading Routes in Ancient Jordan

TRADE ROUTES
BORDERS OF JORDAN
ANCIENT CAPITALS
HIJAZ RAILWAY
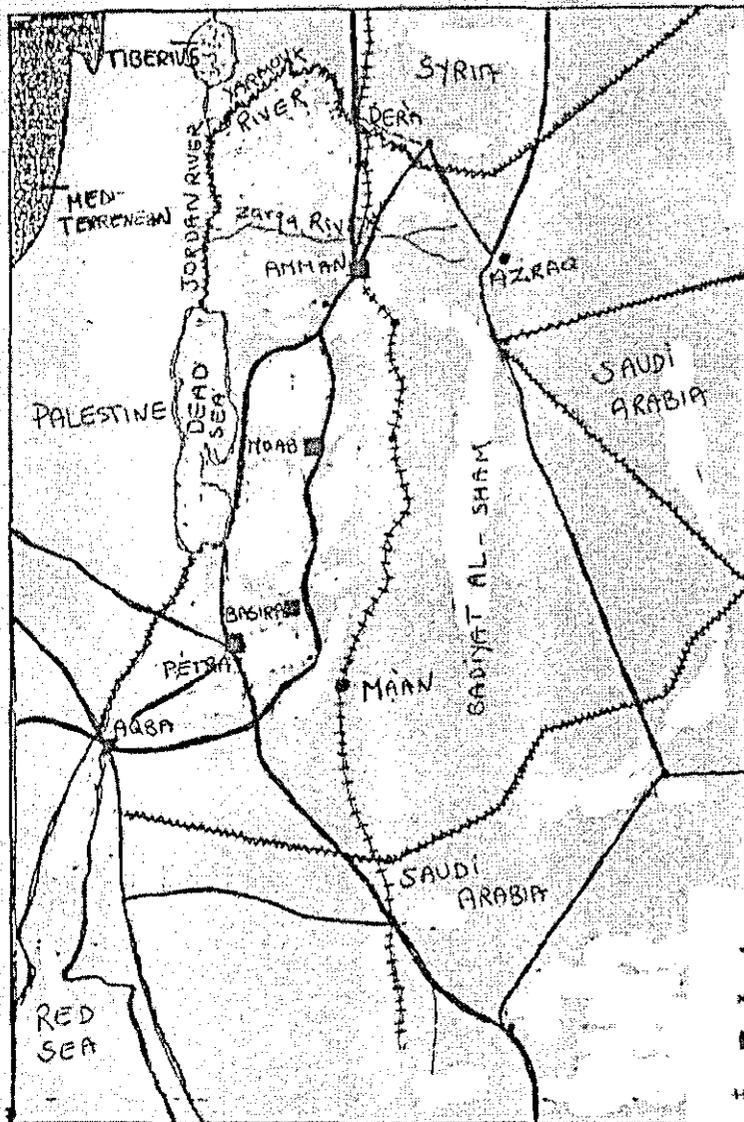
Exhibit 1.3
Political Map of the Middle East
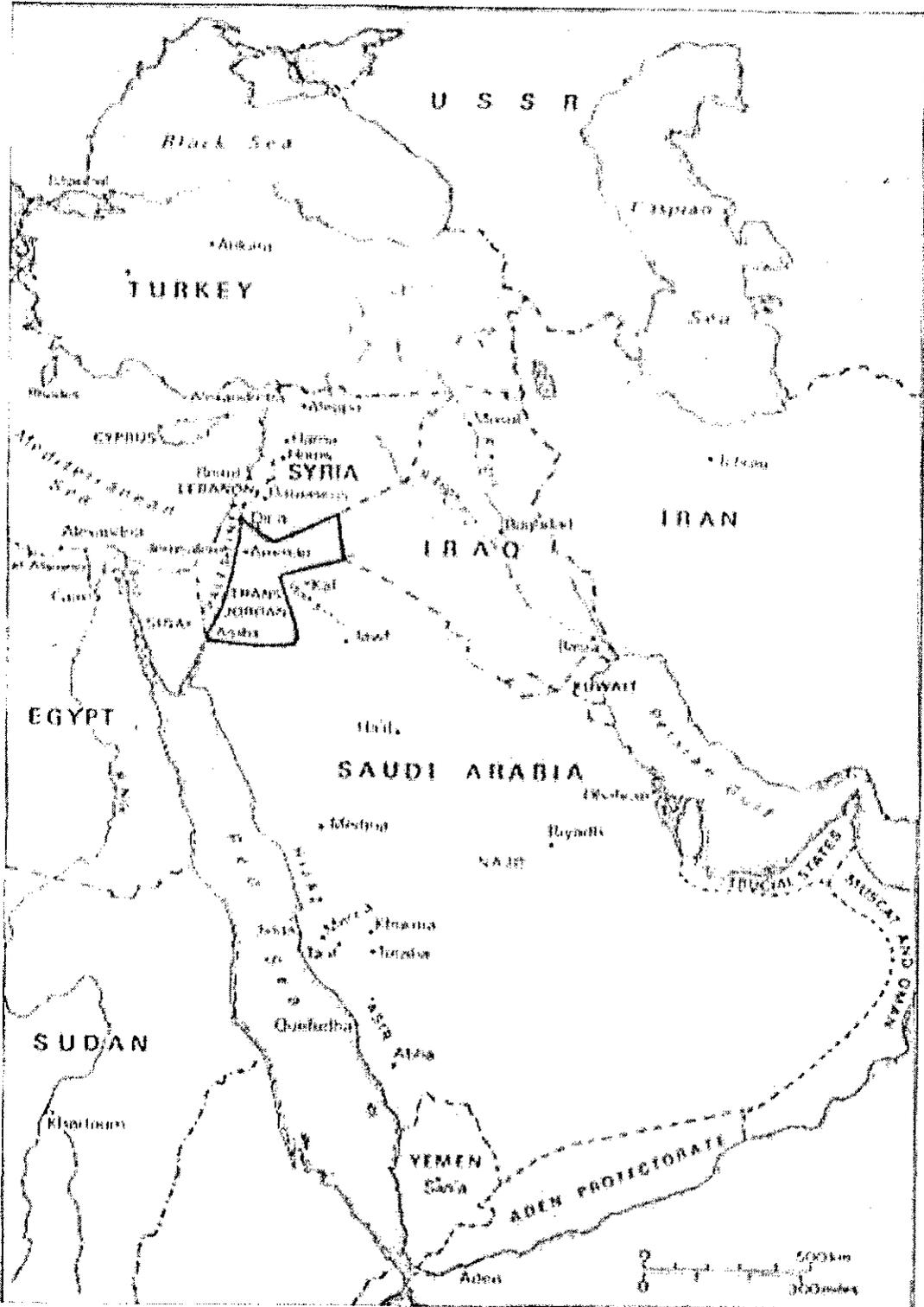
Source: Wilson, 1990, p.xx

AN HISTORIC REVIEW OF JORDANIAN ECONOMY AND BANKING SECTOR

A quick look at the developments in the Jordanian economy in general and the banking sector in particular follows. This provides some understanding of the background against which Jordanian commercial banks nowadays operate. The policies, attitudes and techniques that those banks adopt and use have their roots in banking practices that have evolved over the years.

1.2 THE DEVELOPMENT OF THE JORDANIAN ECONOMY

The Jordanian economy developed from a subsistence economy in the early 1900s in a space of 77 years to a modern economy, albeit having weaknesses, with industrial and services sectors, and financial institutions trying to copy and work alongside international banks. This economic review tries to show *where* the country *was* and *where* is it *now* and *where* it aims *to be*.

Jordanian banks have played a role in the development of the Jordanian economy as both entities influence and are influenced by each other. We can see this interaction, for example, if we look at 1992 statistics, where we find that Jordanian banks had 90.8% direct investments in the industrial and services sectors out of their total domestic investments. Jordanian banks have also financed 90.7% of total imports in the same year (Akel, 1994, pp. 459, 460).

The banking sector has also played a role in influencing the economy of Jordan by offering 45% of total credit facilities in 1992 as development credit to direct production sectors namely agriculture, industry, mining and construction (Malki, 1994, p. 580). In April 2003 the figure fell to 35% (CBJ, *Monthly Statistical Bulletin,* June 2003). Preliminary 2002 statistics show the single largest sector in the Jordanian economy is the financial services sector making 19.4% of GDP (at 1994 prices) compared to 16.8% for manufacturing, and 11.5% for trade, restaurants and hotels (CBJ, *Monthly Statistical Bulletin*, June 2003, Table 50).

In looking at the Jordanian economy since the foundation of Jordan as a state, one can see that it went through the following stages:

- the period between 1921-1952
- the period between 1953-1966
- the period between 1967-1973
- the period between 1974-1982
- the period between 1983-1988
- the period from 1989 onwards.

1.2.1 The Foundation Years [1921- 1952]

The beginnings of the Jordanian economy were characterised by low liquidity. Barter was the prevailing system of exchange (Nabulsi, 1990, p. 4). Transjordan was then an agricultural economy where the majority of the inhabitants worked the land and raised sheep. Agriculture depended on primitive agricultural tools and techniques, and rainfall was the only means of irrigation. Between the years 1928 - 1933 the land that was actually farmed was 5% of the total arable land in Jordan, 0.6% of it was irrigated, 79% of the irrigated land was in the Jordan Valley and the rest depended on rainfall (Hamarneh, 1994, p. 21).

The industrial sector was for all practical purposes, of no consequence. Cottage industries were only to be found for weaving woollen rugs and certain types of textiles that the local population used. All other needs had to be traded from Syria and Palestine.

The services and mining sectors were in no better state than agriculture or industry (Hamarneh, 1994, p. 30). Although phosphate was discovered in 1894, the mining sector's contribution to the economy was of little importance. A Jordanian company to excavate phosphate was not formed until 1945 (Hamarneh, 1994, p. 25). Economic activities in the modern sense began after the Second World War and the Proclamation of Independence in 1946 when money started playing a clear role.

Transjordan at the time did not have a local currency. The Ottoman golden pound was the legal currency in Transjordan. Consequently, it was only natural for Jordan to be tied monetary-wise and banking-wise to Turkey and then to Britain after World War I.

8

After the defeat of the Ottomans the sterling pound and the Egyptian pound replaced the Ottoman Pound (Nabulsi, 1990, p. 16). In 1927 the British authorities unified the currency used in Palestine and Transjordan, and the Palestinian pound was put in circulation on 1 November 1927 and it was equal to a sterling pound.

When Jordan gained independence in 1946 and the Hashemite Kingdom of Jordan became a recognised state, it was natural that Jordan must have its own currency. On 1 July 1950 the Jordan dinar was put into circulation as the only legal medium of exchange in the country, which was also directly tied to the sterling pound. By September 1950 the amount of Jordanian dinars issued to replace the Palestinian pound was JD 9.56 million from various denomination (Nabulsi, 1990, p. 18).

By the same statute the Jordan Currency Board - JBC - was formed to be responsible for the issue of the currency and the management of the Sterling reserves of Jordan. As the Palestinian Currency Board, JBC headquarters were in London. The board was formed of two Jordanians and two other members in addition to the president who were British (Nabulsi, 1990, p. 18).

In 1948 the Jordanian economy suffered a violent shock as a result of the civil war in Palestine and the proclamation of Israel. Jordan had to host a million Palestinian refugees and cope with its limited infrastructure in providing housing, health, and food requirements for the victims of the war. As a result Jordan, a country that desert made 90% of its area was in a situation where 60% of the population was unemployed, and with cash reserves of JD 6.5 per capita (Hourani, 1994, p. 101).

After the armistice and the decision of the Jordanian parliament to unify the West and East Banks of the Jordan River economy expanded - particularly the agriculture and tourism sectors.

1.2.2   The Building Years [1953-1966]

This period was marked by the ascension of the 17 years old King Hussein to the throne on 11 August 1952 after the abdication of his father King Talal for health reasons. Construction expanded and the foundation of public institutions began. GDP grew by

11.5% annually between 1948 and 1961 with an inflation rate of just 2% (Abdullah, 1994, p. 57) and by 9.1% between 1962 and 1966 with a low inflation rate of 1% (Hourani, 1994, p. 104). This period could be considered the golden years of the Jordanian economy.

By the early 1960s Jordan started developing its potash, phosphate and cement industries with capital provided by the British and the Americans. An oil refinery - the first of its kind in the country - was under construction in the town of Zarqa east of Amman (Salibi, 1993, p. 205).

On the monetary side the Jordan Currency Board (JCB) headquarters were moved to Amman in September 1957, and its board changed. The new board was formed of three Jordanian members and a representative of the Bank of England.

This situation continued until the Central bank of Jordan - CBJ - was established in 1964. CBJ was formed to replace JCB and had three main objectives: (a) to maintain monetary stability, (b) to secure the convertibility of the Jordanian dinar (c) to encourage progressive economic growth as specified by government policies.

1.2.3   The Turbulent Years [1967-1973]

Economic development was hindered during this period. The main reasons were lack of political stability in the region and limited resources of Jordan.

In 1967 and as a result of the Six Days War, Jordan suffered a severe economic crisis. The West Bank was occupied by Israel, a second wave of almost a million refugees came to Jordan.

The Jordanian economy had to deal with the aftermath of the war in addition to the loss of major parts of its economic sectors. Jordanian banks in the West Bank were cut-off from the East Bank, and deposits were inaccessible at a time when most needed. Jordan's loss was estimated at JD 6.4 millions in market terms (Nabulsi, 1990, p. 12). During the five years that followed the 1967 war real economic growth receded to negative values (Hourani, 1994, p. 105).

Other crises followed in the years 1970, 1971 and 1972. The 1970 civil war in Jordan left long-lasting scars on the Jordanian society and economy. In 1971 the Jordanian dinar had to be devalued as a result of the devaluation of the sterling pound twice during that period. For the first time an inflation cycle started as a result of the devaluation. The cost of living index rose by more than 10% (Nabulsi, 1990, p. 12).

The deficit in the balance of trade during this period remained at 47% of the GDP, with the same structural weaknesses that characterised the Jordanian economy during this period. The services sector formed 64% of GDP, and employed 63% of the labour force compared to agriculture, which formed 18%, and the remaining 18% for all other sectors (Hourani, 1994, p. 107).

1.2.4   The Boom Years [1974- 1982]

From the mid-1970s till the mid-1980s Jordan enjoyed vigorous economic growth similar to the growth rates of the first half of the 1960s. Real growth was 8.5% (Hourani, 1994, p. 108), production increased annually at about 10%, and employment opportunities were close to full employment [Exhibit 1.4, Growth in GNP 1964-2002]. However, real growth slowed slightly to around 7.6% after 1980 and further slowed down in 1982 (Dajani, 1984, p. 15).

During this period Jordan continued to export skilled and educated manpower to the booming Arab Gulf states at the time. A new phenomenon was beginning to be noticed now, unskilled and semi-skilled workers began to flow into Jordan. A rapid increase in imports took place during 1981, producing a 34% increase in Jordan's chronic balance of trade deficit (Dajani, 1984, p. 18). Although inflation continued to rise in 1974 reaching 20%, it was accompanied by a rise in the standard of living and real economic growth from 1976-1983. At the same time the government began its first three years economic development plan (1973 - 1975), which was followed by other five-year plans.

Accompanying this economic growth was a similar growth in the banking sector [Exhibit 1.5, Growth in Number of Banks 1965-2002]. Between 1975 - 1978 fifteen new banks were licensed (Nabulsi, 1990, p. 34) to try to cover the shortage of modern services that

11

existed in developed banking markets, such as financial mediation in capital markets, syndicated loans, and management of clients' financial portfolios which were lacking in the Jordanian financial market. CBJ also felt that, by encouraging international banks to open branches in Jordan, their advanced banking expertise could be introduced into the Jordanian Market. Specialised banks were founded during this period to help in the development process. The Housing Bank was established in 1974 to offer housing loans at low rates to limited income families in addition to operating as a commercial bank. In 1979 Cities and Villages Development Bank was established to extend loans to town and village councils to finance their development projects.

Jordan's economy during this period reached a stage where the need for a stock exchange was necessary, so in the year 1978, the Amman Stock Exchange was established to deal with local public companies' shares and financial papers.

By the early 1980's Jordan was already in the front of the Arab development. In the course of barely 10 years Amman had grown from a relatively small provincial town into one of the finest and best organised cities in the Arab world. Due to the continuing civil war in Lebanon, the standing of Beirut as the business centre of the Arab World had gone into eclipse after 1975. This opened possibilities for Amman to replace the Lebanese capital as the centre of services for the area. Unfortunately this did not happen for many reasons, mainly due to limited infrastructure, shortage of resources, insufficient professional and highly-skilled labour force. Thereby Jordan lost a golden opportunity to become the preferred venue for the headquarters of many international and regional organisations. By 1978 CBJ felt that the Jordanian market was saturated with commercial banks and any increase in the number of the operating banks would have a negative effect on the banking sector as a whole. Overbanking and severe competition among banks characterised by small size eroded profit margins to unsafe levels as some banks were offering credit facilities to gain a share of the market without heeding safeguards. The first investment bank was established in 1978 with the objective of encouraging the economic development in Jordan, which CBJ felt was not been undertaken satisfactorily by the commercial banks at the time.

At the same time CBJ stopped licensing foreign banks operating in Jordan. It allowed instead the opening of representative offices to maintain their financial relationship with Jordan. By the end of 1988 there existed eight such representative offices.

1.2.5   The Declining Years [1983-1988]

A major occurrence in the context of the increase of competition was in the year 1979 when the Jordan Islamic Bank was formed by a special statute with Arab capital, which targeted a new sector of depositors. The negative feelings towards commercial banks dealing with interest were gaining ground. The establishing of an Islamic bank came to accommodate depositors who, for religious reasons, do not want to deal with banks that pay or charge interest. There already existed a substantial number of depositors who deposited their money with banks and refused to receive any interest. These years represented the biggest challenge as the economy was in a critical stage. In 1989 the Jordanian dinar was devalued by 26.4%, the cost of living index rose by 25.8%, and the growth of GDP fell to -0.1% in constant cost prices [Exhibit 1.4, Growth in GNP 1964 – 2002; and Exhibit 1.6, A Comparative Table Of Some Economic Indicators].

Another reason that hindered the healthy economic growth in Jordan was the heavy foreign debts amounting in 2002 to JD 5350.5 millions in relation to total central government revenues for the same year of JD   million 2029.5 millions, and total expenditure of 2289.1 millions (CBJ, *Monthly Statistical Bulletin*, June 2003, p. 53, 44).

The banking sector was affected as well: two banks declared bankruptcy (Petra Bank and Mashrek Bank), and others were facing serious financial problems, which called for the intervention of CBJ and managing committees were appointed to supervise those banks (Muheisen, 1994, p. 64). Naturally, such financial shocks had a deep impact on a relatively small economy such as the Jordanian economy.

Exhibit 1.4
Growth in GNP 1964 – 2002 (million JD)
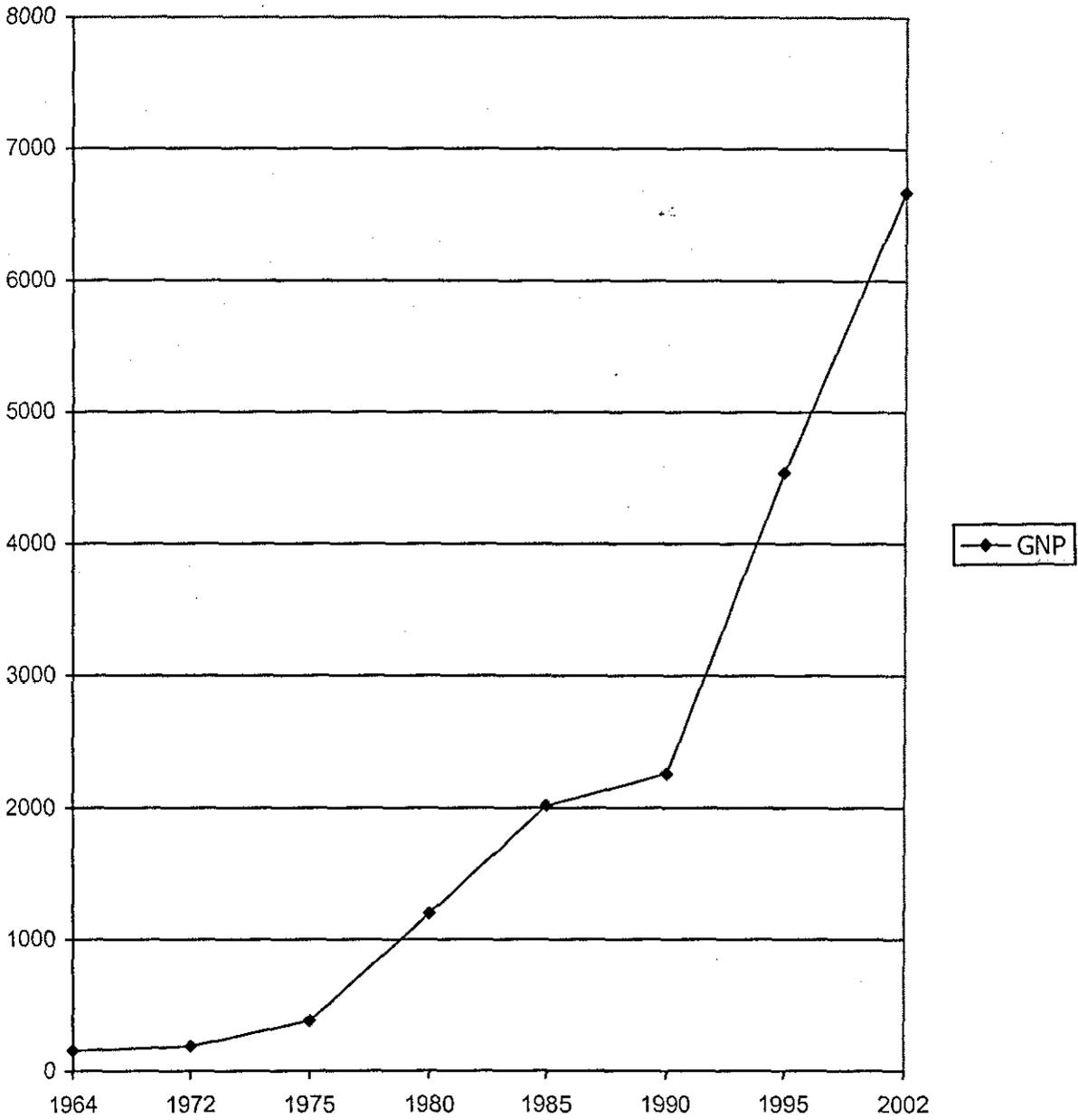
CBJ, *Monthly Statistical Bulletin* Sep. 1997 p.7, IMF, *International Financial Statistics* 1991, *Annual Report* 2002 P.5

	1964	1970	1975	1980	1985	1990	1995	2002
GNP	154	188	378	1195	2016	2257	4538	6669

Exhibit 1.6

A Comparative Table of Some Economic Indicators [1964-2002]

	1963 million Dinars	1996 million Dinars	% increase 1963 to 1996	2002 million Dinars	% increase 1996 to 2002
GNP	1352.6**	5035.2*	272%	6669.1	32.45%
Agricultural sector/GNP	16.6%	4.6%	-	1.9%	-
Mining & Industry/GNP	7.85%	14.7%	-	16.6%	-
Banking activities/GNP	0.65%	1.5%	-	N/A	-
Total Exports	50.859	1039.801	1994%	1945.1	87.1%
Total Imports	5.523	3043.556	55007%	3531.5	16.03%

*   at current market prices

**   1964 figure as 1963 is unavailable

Source: CBJ *1964 Annual Report*, CBJ *1997 Annual Report*, CBJ *Monthly Statistical Bulletin* June 2003

As a result CBJ reviewed banks' credit policy, and floated interest rates. Jordanian banks were asked to deposit reserves with CBJ as a percentage of their deposits in foreign currencies, and CBJ's supervision was intensified.

1.2.6   The Stagnation Years [1990 – 1996]

The year 1990 when the first Gulf War broke out marked the beginning of the stagnation period. The Gulf War dealt a severe blow to the Jordanian economy, and compounded the effects of the decline in the economy in the late 1980s [Exhibit 1.4, *Growth in GNP*]. One of the biggest markets of Jordan (Iraq) was closed to exports as a result of the Gulf war. The banking sector was naturally affected as the ratio of credit facilities/deposits fell to 39.9% from 74.5% during the period 1976-1983 (Muheisen, 1996, p. 38).

A second historical event took place during this period: in the summer of 1994 Jordan signed a peace treaty with Israel, whereby normal relations were established, and easier

passage of investment capital (whether foreign or local) was hoped to flow. Such hopes were crushed as implementation of the peace treaties with Jordanians, Palestinians, and Israelis began and the result was a further deepening of the economic slump than was caused by the first Gulf War. The regional political instability in the region in general, whether accentuated by the long years of blockade on Iraq, or during the period that preceded, during and following the second Gulf War, severely hindered any significant economic growth. In addition to the unstable situation in Palestine, given the proximity of the two countries and historical ties socially and economically, continue to negatively affect the Jordanian economy.

Added to the political situation in the Middle East is the limited Jordanian market and the fact that access to Arab and western markets is restricted by custom barriers. There is also the shortage of trained labour in the industrial and services sectors where cultural and social factors play a part. One should keep in mind a historical perspective of Jordan as a political entity with an economy in the modern sense is relatively short, as geographic Jordan was always considered as agricultural and sheep grazing land. In spite of the growth of the industrial and mining sector in Jordan by 6.9% - as shown in Exhibit 1.6 - from 1963 to 1996, it is still comparatively small.

1.3 DEVELOPMENT OF THE BANKING SECTOR IN JORDAN

Before the creation of the Emirate of Transjordan in 1922 no banking institutions existed in Transjordan. Absence of an economy in the modern sense of the word, limited economic resources, as well as limited banking awareness among the population prevailed in Transjordan and the neighbouring countries. A large portion of the population was hesitant to deal with banks for religious reasons, as 'Reba' (usury) is prohibited by the teachings of Islam.

After serious efforts by the Tansjordan government the first commercial bank, a branch of the Ottoman Bank, was opened in Amman in 1925. It assumed the role of a financial agent for the Transjordan government and restricted its dealings during its first two years to the government and the British forces (Muheisen, 1994, p. 70). Prior to that date the existence of banking institutions in Transjordan was in the form of three branches of the

15

Agricultural Bank, which had its directorate in Damascus. The operations of these branches were restricted to giving small agricultural loans (Nabulsi, 1990, p. 18).

The Arab Bank - established in Palestine - opened in the year 1934 a branch in Amman. This was followed by another branch in the town of Irbid in the north of Jordan [Exhibit 1.1, Geographical Map of Jordan]. After the Palestinians lost the civil war in 1948 and the proclamation of Israel the Arab Bank moved its main branch from Jerusalem to Amman in the year 1949.

In the same year the British Bank of the Middle East opened a branch in Amman, which was followed the opening of by the Umma Bank. The Arab Land Bank, which was formed by a decree from the Arab League, opened a branch in Amman in 1951. Consequently, by the end of 1951 the total number of banks in Jordan was four operating through five branches: one of which was a national bank, two British and one Egyptian. All branches were located in Amman except for one in Irbid.

However, these banks did little to help the economic development of Jordan. Their role being limited to channelling savings abroad, particularly as British banks operated in the country as an integral part of the British banking system (Nabulsi, 1990, p. 20).

Development in the economy and in the banking sector has gone hand in hand. The real development in the Jordanian banking sector was most evident in the last four decades [Exhibit 1.5 Growth in Number of Banks in Jordan]. During this period six new banks were established, three of them being foreign banks. Specialised banking institutions were also established in this period to promote development in certain sectors of the economy. The first was the Central Co-operative Union in 1954, which was replaced by the Co-operative Bank in 1971 to serve farmers and farming associations. Then came the Association of Agricultural Loans in 1959. The Industrial Bank was established in 1965 to offer short and medium-term loans to industrial, mining and tourism sectors.

During the period 1960 - 1970 no new banks were opened due to the hindered economic development and lack of political stability [Exhibit 1.5 Growth in Number of Banks in Jordan].

Exhibit 1.5 The Growth in Number of Banks in Jordan 1965 – 2002
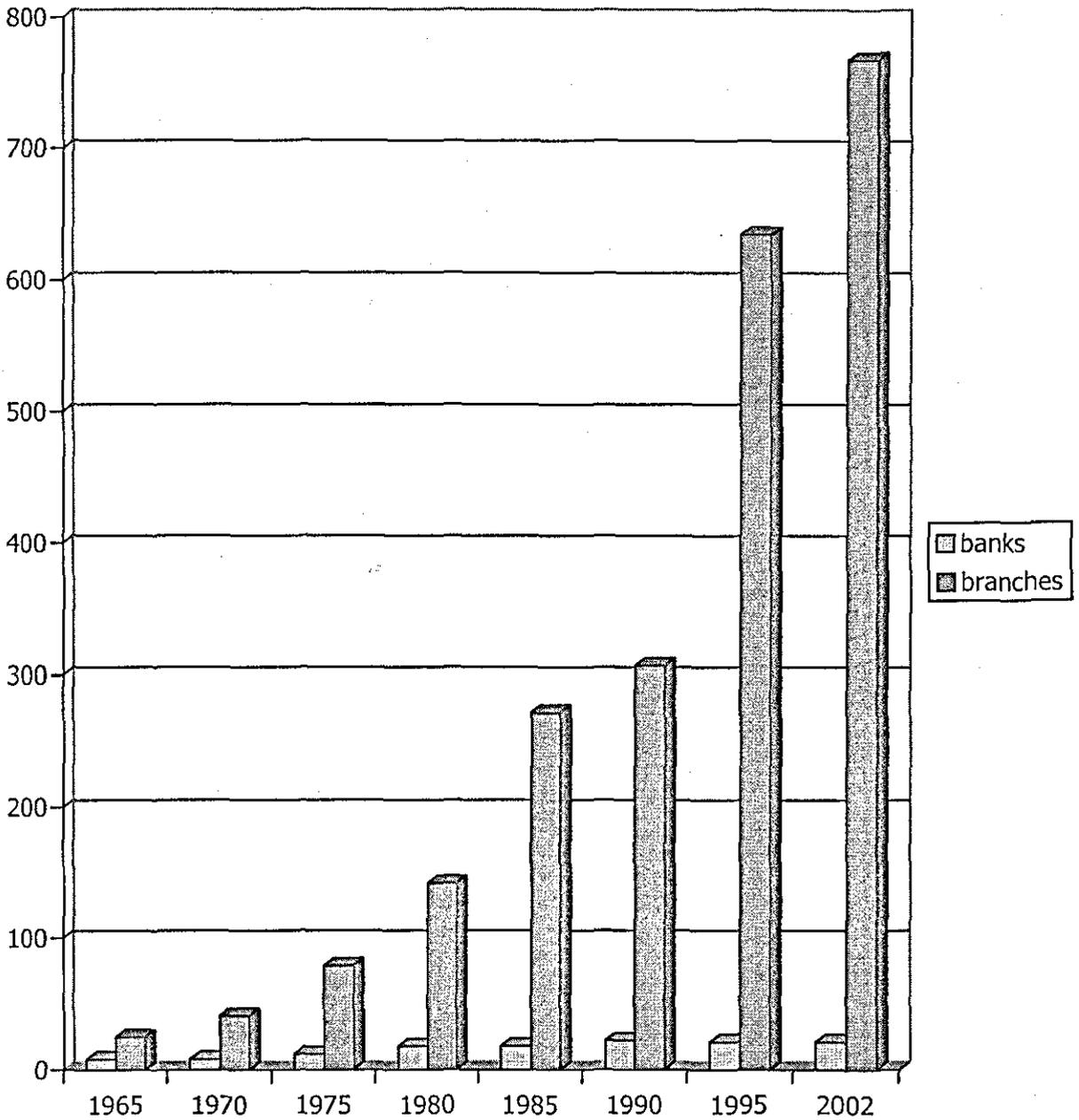
(Akel, 1994, p. 464; CBJ *Annual Report*, 1995, 2002)

	1965	1970	1975	1980	1985	1990	1995	2002
No. of banks*	8	8	12	18	18	22	21	21
No. of branches	*25	41	79	142	272	307	635	768

* does not include specialized credit institutions
** number includes branches and cash offices

16A

Jordanian banks have grown rapidly since 1964 (the year 1964 was chosen as detailed statistics became available with the establishment of CBJ in 1964). Total assets of licensed financial institutions in 1996 increased by almost 1385 fold, from JD 63,958,000 in 1964 (CBJ *Annual Report*, 1964, p. 36) to JD 8857.7 million in 1996 (CBJ *Monthly Statistical Bulletin*, September 1997, p. 19).

Facilities extended by banks also increased, though not in the same proportion by 1339 fold [Exhibit 1.7, Growth Of Deposits and Credit Facilities In Jordanian Banks 1965 – 2002].

A quick look at the growth of credit facilities, and of the number of banks and bank branches between 1964-2002, shows:

(1) the continuous upward trend is evident in all three cases [Exhibit 1.5, Growth in Number of Banks in Jordan 1965-2002; Exhibit 1.4, Growth in GNP in Jordan 1964-2002; Exhibit 1.7, Growth in Deposits and Credit Facilities in Jordanian Banks 1965- 2002].

(2) The shape of the upsurge, with big jumps in the years 1975, 1990, 1995, can be noticed in all three cases.

(3) The growth of GNP (at current market prices) rose by 145% in 1975 compared to 1964 (CBJ *Annual Report 1964*; *IMF International Statistics*, 1991; CBJ *1997 Annual Report*), and by 497% in 1990 compared to 1975 and by 101% in 1995 compared to 1990, and by 47% in 2002 compared to 1995 [Exhibit 1.4, Growth In GNP 1964 -2002].

(4) The growth in number of bank branches was respectively 215%, 289%, and 74% for the same periods (Akel, 1994, p. 464; CBJ *1995 Annual Report*, p. 52). These jumps in growth can also be seen in loans and credit facilities that went up by 285%, 1368%, and 94% respectively for the same periods (Akel, 1994, p.464; CBJ *1995 Annual Report*, p.56) [Exhibit 1.4, Growth in GNP; and Exhibit 1.8, Growth in Some Banking Sector Indicators 1965-2002].

Jordanian banks have tended in the past to offer short-term loans which do not accommodate the nature of industrial production where longer term loans are needed. It is only in recent years that Jordanian banks started offering medium and long-term loans for industries (Akel, 1994, p.444).

Exhibit 1.7
Growth of Deposits and Credit Facilities in Jordanian Banks (million JD)
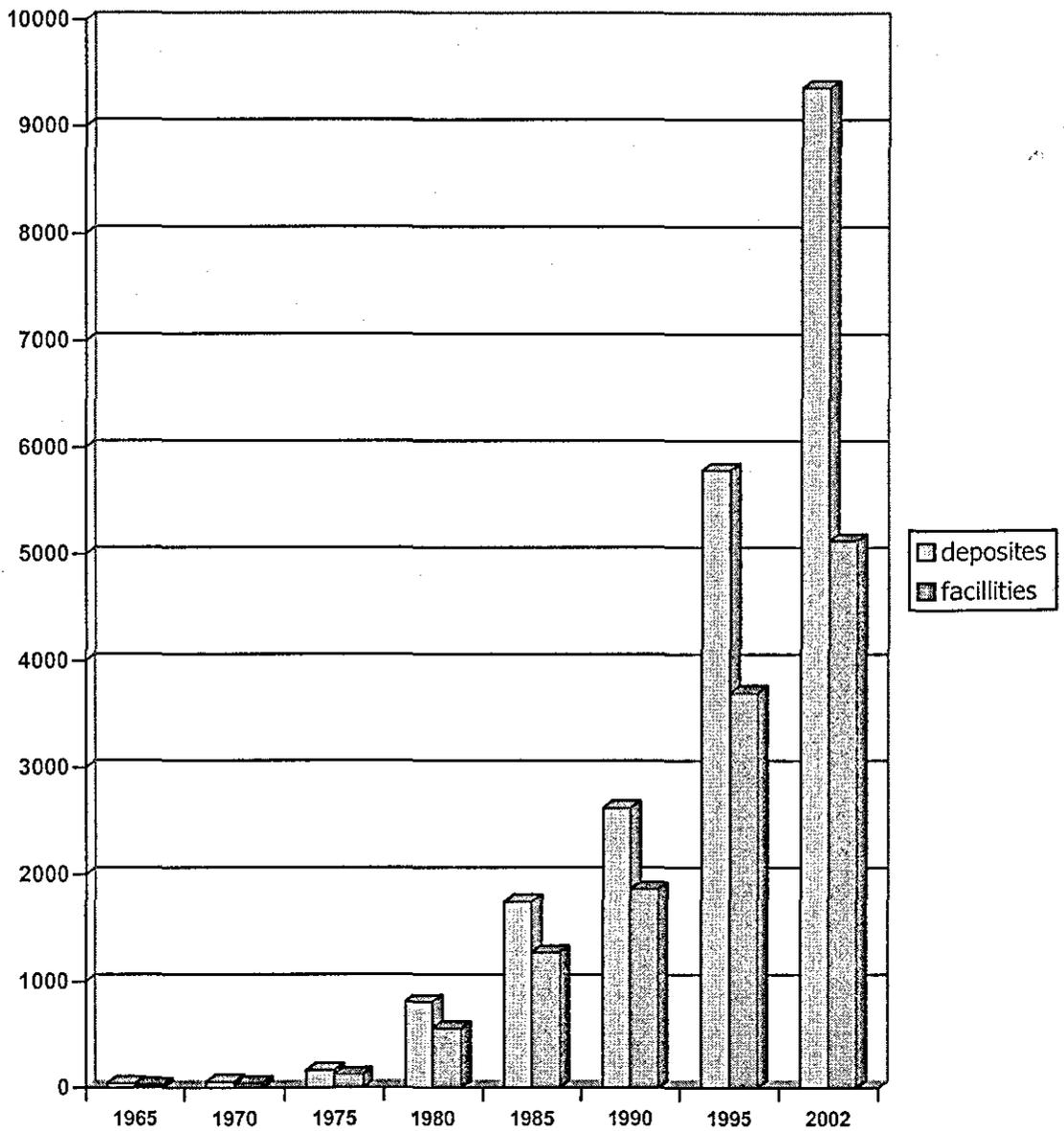
	1965	1970	1975	1980	1985	1990	1995	2002
Deposits	44	58	169	808	1747	2623	5788	9368
Credit facilities	33	46	127	464	1274	1864	3706	5130

Exhibit 1.8

Growth in Some Banking Sector Indicators [1965-2002]

	% Increase 1965-1975	% increase 1975-1985	% increase 1985-1995	% increase 1995-2002
No. of banks	50%	50%	17%	0%
No. of branches	216%	244%	133%	21%
Deposits	284%	930%	228%	62%
Credit facilities	285%	903%	191%	38%

Nowadays the banking sector, in spite of its quick growth quantitatively and qualitatively suffers from a number of weaknesses which many researchers believe will slow down the growing trend (Nabulsi, 1990; Akel, 1994; Waked, 1997) as well as placing the banking sector in a state where it will be unable to fulfil the demands of the economy in the future.

- The volume of bad debts is one major problem from which the Jordanian banks suffer. The banks have not made sufficient provisions to cover bad debts in the past, nor did they have a clear practice for classifying and amortising debts (Akel, 1994, p. 442). This has resulted in serious state of low profitability, which means the inability of banks to expand their facilities to accommodate the growing economy not mentioning the risk of insolvency.

- The absence of strict regulations for lending, which resulted in concentrating loans to a limited number of clients where personal relationships influence lending decisions (Nabulsi, 1990; Waked, 1997; Hindi, 1997). Particularly in a country like Jordan, where tribalism and family ties still play an important role [see Section 4.20.1, Cultural Effects on MAS in Planning for Marketing and Customers' Needs at PB].

- The lack of comprehensive and diversified services offered by Jordanian banks, as well as the absence of the new tools in banking such as: securitisation, derivatives, and global depository receipts. The reason behind this is the fact that

18

the banking sector in Jordan has always been marked by conservatism and limited financial resources.

- Lack of trained labour and training facilities (Akel, 1994, p. 442) [see Section 4.24, Epilogue].

- The lack of advanced information systems to raise the standard of services offered to clients (Wakked, 1997; Hindi, 1997) [see Section 4.24, Epilogue].

- Lack of strategic planning (Wakked, 1997) [see Chapter 4, Part III, The Role of MAS in Planning and Decision-Making at PB; and Chapter 5, Part III, The Role of MAS in Planning and decision-Making in Jordanian Commercial Banks].

- The inadequacy of capital, and liquidity problem facing some financial institutions (Akel, 1994, p. 442).

- Concentration of branches in large cities.

- Overbanking phenomenon and strong competition resulting in low profit margins and transgressions of sound banking practices.

- Insufficient capital adequacy (Akel, 1994, p. 442).

- The collapse of some banks due to managerial malpractices and for not following sound banking practice (Akel, 1994, p. 442).

1.4   Summary of Chapter 1

The modern historical development of Jordan since it was founded as a state in 1920 greatly influenced the economic development in the country as well as the banking sector. A quick look at the historical developments and events will help in understanding the larger social context in which Jordanian commercial banks operate.

In ancient times Transjordan (as it was called before its founding as a separate state) gained prominence as a trading route and later as Tareeq Alhajj (pilgrims' road to Mecca) after the spread of Islam in the region.

Modern Jordan (the Hashemite Kingdom of Jordan) remained under the British mandate from 1918 until its independence in 1946. In 1948 a civil war broke out after the British ended their mandate over Palestine without offering acceptable and feasible solutions for the Palestinians and a sizable minority of Jews whose immigration to Palestine was encouraged by the Balfour Declaration by the British government in 1916.

The civil war of 1948 resulted in Jordan having control over parts of Palestine later referred to as the West Bank of the River Jordan and the proclamation of Israel on the rest of Palestine. In 1950 the two banks of the River Jordan were united under King Abdullah. This gave a big boost to the industrial and tourism sectors in Jordan, which was predominantly agricultural. The period from 1953 – 1966 marked the building years in Jordan were seriously hindered by the 1967 War which ended with the occupation of the West Bank by Israel.

The Jordanian economy was shocked by the 1948 civil war in Palestine, the 1967 war, the September war in Jordan in 1970, the first and second Gulf War in 1990 and 2003. All this political unrest in the region had serious repercussions on the economy and consequently the banking sector. Nevertheless the GNP grew by 145% in 1975 compared to 1964 (at current market prices), and by 497% in 1990 compared to 1975, and by 101% in 1995 compared to 1990, and by 47% in 2002 compared to 1995.

The first financial institution to be opened in Jordan was a branch of the Ottoman Bank in 1925. In 1950 the Jordan Currency Board was formed to be responsible for the issue of the first Jordanian currency. But it was not until 1957 that its headquarters were moved from London to Amman with a new board formation of three Jordanians and a representative of the Bank of England.

The banking sector started to be regularised by the foundation of the Central Bank of Jordan (CBJ) in 1964. The banking sector continued to grow from eight banks in 1965 to 21 in 2002 with deposits rising from 44 million Jordan dinars in 1965 to 9368 million JD in 2002. The financial services sector in 2002 was the single largest sector of the Jordan economy comprising 19.4% of GNP (at 1994 prices).

Nowadays the banking sector, in spite of its quick growth quantitatively and qualitatively, suffers from a number of weaknesses such as: the volume of bad debts, the absence of strict regulations for lending, the lack of comprehensive and diversified services offered by Jordanian banks, the lack of advanced information systems, and lack of strategic planning.

CHAPTER 2
APPROACH TO THE RESEARCH

This research project has been developed in line with the importance we attach to context and sequence, and with our belief that there is some advantage to a multilateral approach in social science research. This brief chapter will seek to offer some substance to these ideas.

The empirical investigation was through a single case study of a Jordanian commercial bank followed by a survey of the whole population of JCB [Exhibit 2.1, Population of JCB]. It is an attempt to answer questions such as why do particular organisations develop the MAS which they currently use, how are MAS used, and what impact do MAS have on OE? Through the responses of the interviewees, the study provides a description of MAS in JCB, the factors that underlie the choice of design of the MAS employed, the justifications for the techniques and procedures used in practice.

2.1 Context

The research is deliberately and purposefully contexted on several levels:

1. It is contexted in the adaptive development of management accounting, reflected in the MAS literature; this literature is reviewed in detail in the next chapter, and its impact on the research is highlighted.

2. The study is situated historically in the economic development of Jordan as an independent state dating from the 1920s [see Section 1.1, Jordan in History]. The macro- and micro-environmental factors through which the JCB operate is considered. In particular PB, the case study bank, has a turbulent history which we have detailed to show its possible impact on the present [Section 4.1, Historical Background of PB].

Exhibit 2.1
Population of Jordanian Commercial Banks

	Name of bank	Year founded	Shareholders equity (Millions)	Branches in Jordan	Branches in Palestine	Other Branches
1	Arab Bank	1930	1167.9	83	14	64
2	Jordan National Bank	1956	69.3	48	5	8
3	Jordan Bank	1960	55.6	70	5	-
4	Cairo Amman Bank	1960	25.4	50	19	1
5	Housing Bank	1974	256.5	93	4	-
6	Jordan Kuwait Bank	1977	75.9	35	3	1
7	Jordan Gulf Bank	1987	18.3	25	3	-
8	Arab Banking Corporation	1989	27.6	16	-	-
9	Export & Finance Bank	1996	37.4	2	-	-

Source: *Annual Report* 2001 of each bank
STG 0.98 = JD 1 (CBJ, *Annual Report* 2001)

3. It is contexted organisationally. The research is not mechanistic and it was not conducted in a vacuum and there is no pretence that it was. Rather it is:
   - Situated organizationally.
   - Takes cognisance of the workplace reality and work needs of professional employees.
   - In particular it shows the way MAS are developed in an organisational and cultural context, and details the forces that impact on the development of these systems.
4. It is positioned managerially and corporately, i.e., the whole dynamic → MAS → Use → Outcomes → OE is set in a context of structure, authority, executive perception, company culture and corporate needs.

The PB case study in turn, focuses on four levels: The individual experiences and opinions of the managers interviewed; the organisation - PB -; the banking sector - in terms of this research JCB; and the societal context - in terms of this research, Jordan and the wider international environment [see Exhibit 2.2, Focus in the Research on the Role of MAS].

All these levels were considered while carrying out the case study as organisations do not exist and operate in a vacuum (Preston, 1995, p. 274). Rather interaction exists between the environment and the organisation. Users of MAS, individual organisations and indeed whole industry sectors do not exist in closed compartments. There is a continuous flow of influences in and out of each domain affecting and being affected by the others.

The influence of forces, institutions, and persons found in the environment in which banks operate has been at times neglected by researchers. Environmental influences on MAS cannot be brushed aside in a study dealing with an information system such as MAS in JCB where there are important social aspects. Tinker et al. (1982, p. 172) observe that trying to elevate 'the technical, factual and seemingly objective aspects of accounting masks the socially partisan role of accounting', which this research tries to avoid. Context is also of relevance to MAS as a socially constructed system, which cannot be mechanically transposed from one country to another without providing for contextual differences.

Gordon & Narayanan (1984, p. 42) find the environment to be of paramount importance in designing MAS. The external environment can influence MAS by inter-related factors such as social, cultural, and economic which are common to all organisations in a country (Mitroff & Mason, 1983, p. 195; Gordon & Narayanan, 1984, p. 42; Glennerster, 1994, p.

Exhibit 2.2

Focus of the Research on the Role of MAS
in Enhancing OE in Jordanian Commercial Banks

External Environment

Jordanian Society

Jordanian Banking Sector

Bank

Individual
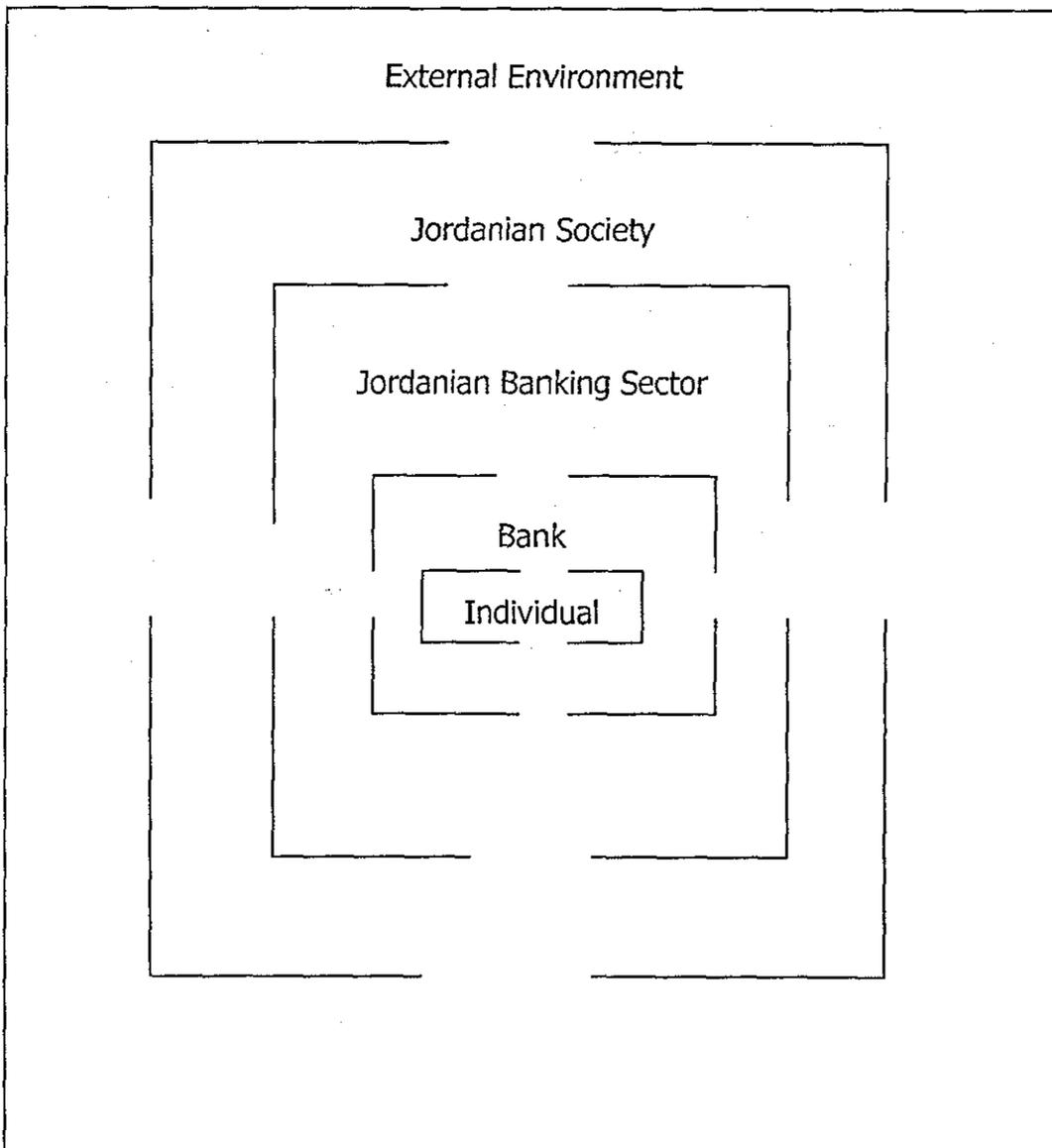
140; Hopper et al., 2003, p. 17). In addition to these factors there is the influence of the MAS design and operation in other countries brought into Jordan (Hall, 1972, p.9, 298; Hopwood, 1980, p. 401; Ashton et al., 1995, p. 6) [see Exhibit 2.3, Factors Affecting the Role and Design of MAS in JCB; and Exhibit 2.4, External Factors Affecting the Role and Design of MAS in JCB; Exhibit 2.5, Internal Factors Affecting the Design and Role of MAS].

It is worth pointing out here that the external factors have a dynamic nature and interact with the internal factors within the organisation whereby they continuously change rank (Hall, 1972, p. 312).

The sectoral level of analysis is becoming of increasingly important in MAR. In practice sectors acquire a common language and a common way of thinking and operation, which gives the sector its own distinguishing characteristics and way of operating (Smith et al., 1988). These commonly accepted beliefs characterising the banking sector are, in their turn, partly a result of the country's culture, social norms, economic standards and political system. The banking sector in turn influences and is influenced by the society of the country as a whole where common accepted beliefs will affect the type and roles expected of individuals and individual organisations.

This leads to the fact that practices in a bank (the organisational level) that are a result of a number of factors, such as the organisation's culture, organisational structure, state of technology, and management style, affect and are affected by the banking sector (banking sector level) and wider society (societal level) (Hofstede, 1968, pp. 32, 36, 58; Driver & Mock, 1975, pp. 492, 499; Markus & Pfeffer, 1983, p. 215; Hopwood, 1983, p. 301; March, 1987, p. 163; Preston, 1995, p. 279).

The organisational level could not be disassociated from the wider social context in which it is embedded. Organisations are shaped and at the same time play a role in constructing other organisations within and outside the industry. The interactions with the larger Jordanian environment where social, economic, cultural, and political forces work to shape and be shaped by the activities of the single organisation also play a part.

Exhibit 2.3

Factors Affecting the Design and Role of MAS in Jordanian Commercial Banks

External Environment [society & banking sector]*	Internal Environment [single bank] #
o Cultural o Economic o MAS practices in other countries o Competition o Technology	o Strategy o Organisational structure o Decision-making style o Size o Technology

MAS in Jordanian commercial banks

Enhance OE in Jordanian commercial banks
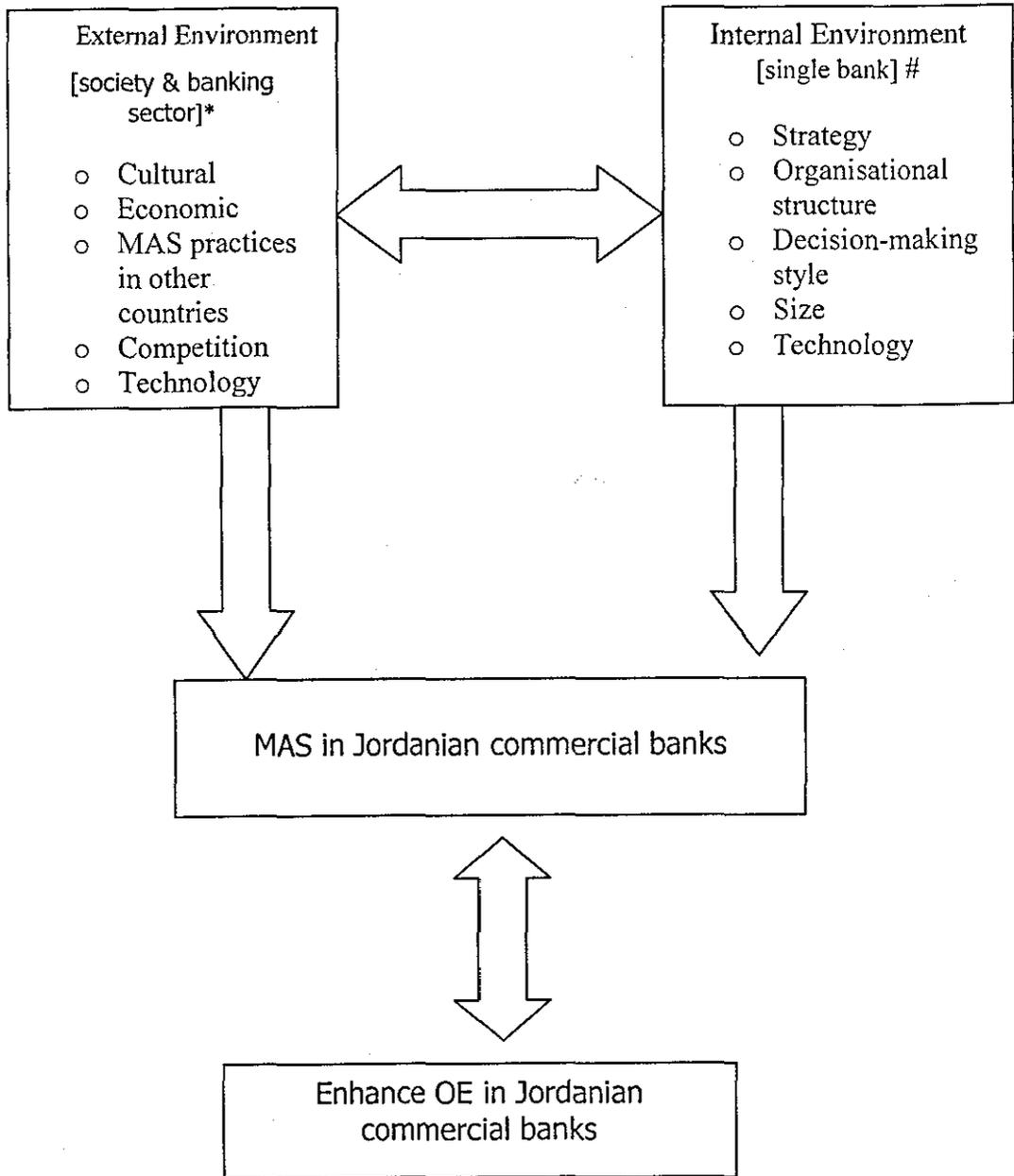
* refer to Exhibit 2.4 which should be read in conjunction with Exhibit 2.3
# refer to Exhibit 2.5, which should be read in conjunction with Exhibit 2.3

23 A

Exhibit 2.4
External Factors Affecting the Design and Role of MAS in JCB
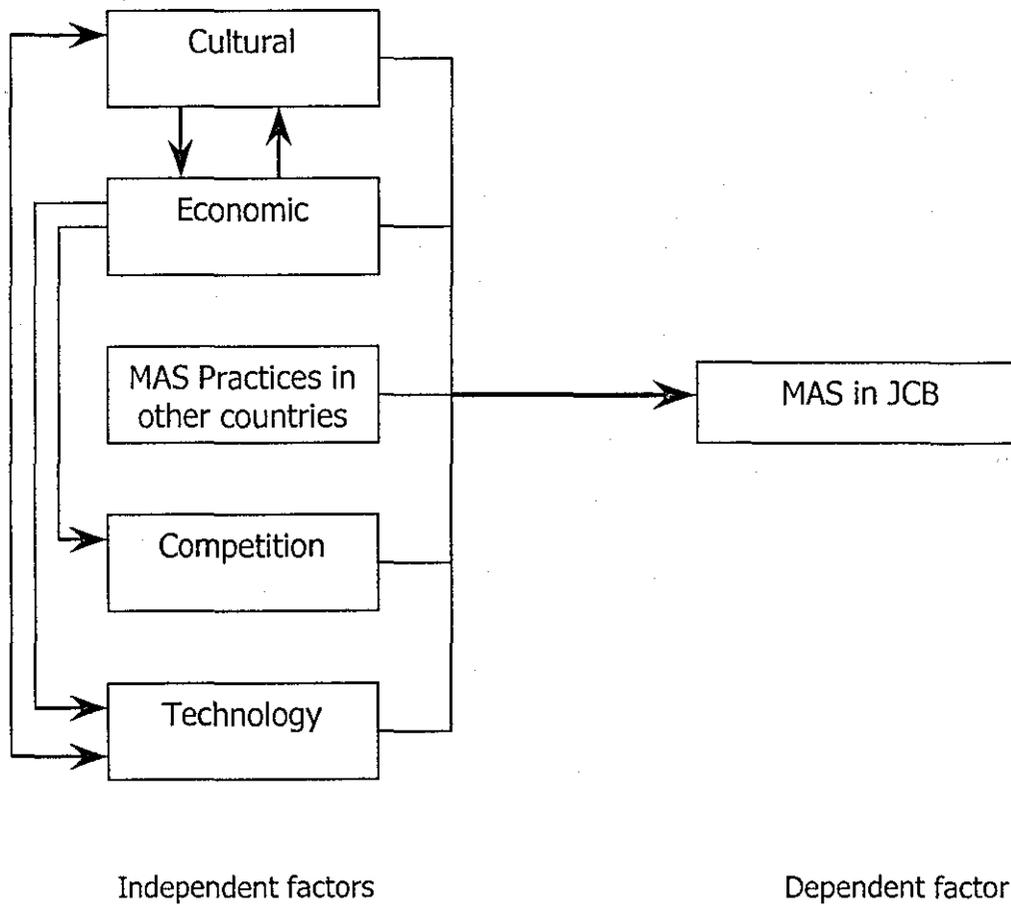
Exhibit 2.4 should be read in conjunction with Exhibit 2.3, Factors Affecting the Design and Role of MAS.

Exhibit 2.5

Internal Factors Affecting the Design and Role of MAS
in Jordanian Commercial Banks

Independent factors   Dependent factor
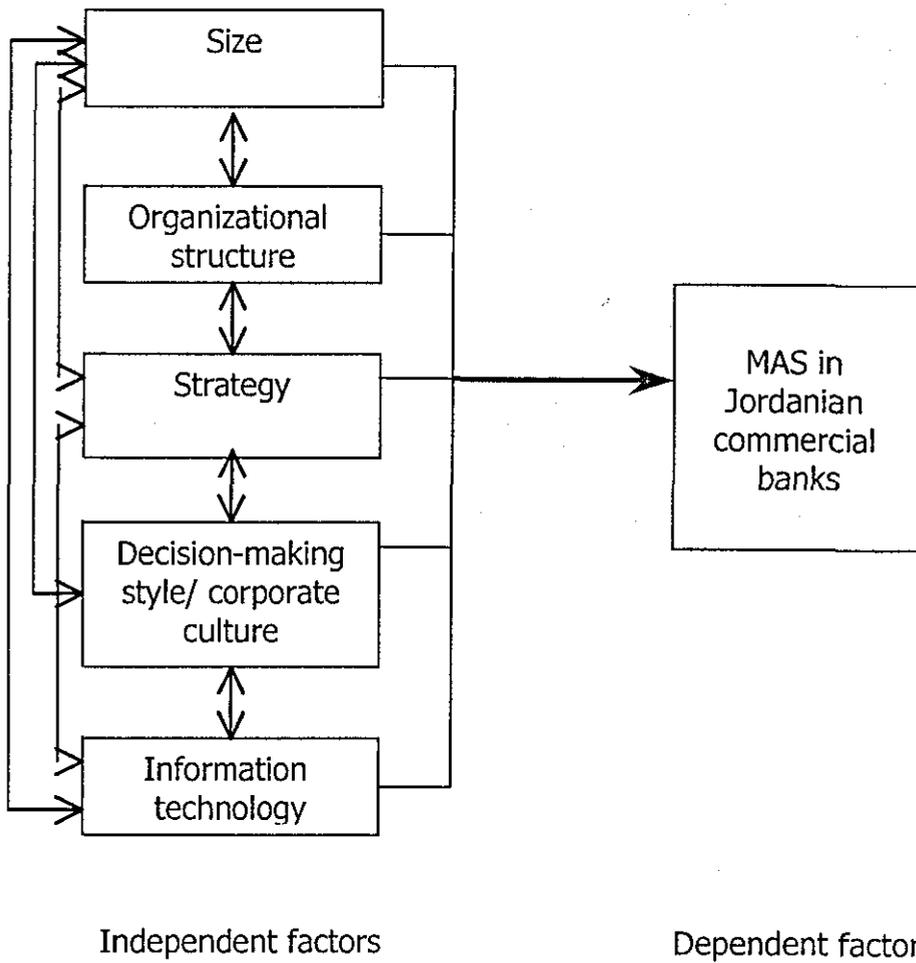
Exhibit 2.5 should be read in conjunction with Exhibit 2.3 Factors
Affecting the Design and Role of MAS.

2.2 Multi-Lateralism

The study is informed by the conviction that the more ways one uses to generate knowledge and understanding of the researched entity the more substance and less bias the research understanding should have.

This multiple approach was implemented by undertaking an in-depth case study on one Jordanian commercial bank, PB, followed by a survey of all the other commercial banks in Jordan [see Exhibit 2.1, Population of JCB]. Each of the research methods used has its strong points and its limitations. Hopefully, however, one's realisation of the drawbacks by itself helps in partly neutralising the negative effects.

2.2.1 The Phoenix Bank Case Study - Research Method 1

The reasons for choosing a case study method for investigating the research question included:

- A contextual approach is needed to understand the roles of MAS, (Otley & Berry, 1994; Smith et al., 1988; Roslender, 1990; Llewellyn, 1992), the procedures used, and how MAS can contribute to enhancing OE in JCB. A case study enables the researcher to engage in 'observing things that happen, listening to what is said and questioning people, over some length of time. It also permits social interaction between researcher and informants in the milieu of the latter, during which data are systematically and unobtrusively collected' (Atkinson & Shaffir, 1998, p. 44).

- The use of a case study method is amenable to dealing with a wide variety of evidence that allows an investigator to address a broad range of historical, attitudinal and behavioural issues (Yin, 1994, p. 92; Choudhury, 1986, p. 28) and on many dimensions of the phenomenon, numerical information or otherwise (Kaplan, 1986, p. 436).

- The need for adopting and retaining a holistic approach to a contemporary phenomenon such as MAS in JCB can best be served by a case study method (Yin, 1994, pp. 1, 3, 42; Puxty, 1993, p. 78; Hofstede, 1968, p. 85). The use of a holistic approach to studying MAS is in line with a contextual approach in

24

treating JCB as part of a unified social system whereby external and internal environments are studied (Scapens, 1992; Smith et al., 1988; Llewellen, 1992).

> 'human and social systems have a characteristic of wholeness which pervades the individual system elements...we cannot understand the parts without studying the whole' (Tomkins, 1986, p. 454).

Case studies examine 'intact settings' in detail with the understanding that a case study shares with some others some of its properties and some properties with no other (Miles & Huberman, 1994, p. 29). This can be observed in Chapter 4, where MAS employed at PB had certain characteristics unique to it and others which were shared by other JCB and indeed banks in other countries.

The choice of a case study method is particularly suited to this investigation of MAS in JCB, because it involves studying a new area.

While capitalising on the advantages of the use of a case study method in the research, the limitations of this method are acknowledged and appreciated, attempts were made to minimise them. Some of the criticisms directed to the use of case study method in research are:

The reliability question which poses itself in a case study is based on the extent to which 'two independent observers might produce a consistent analysis of a particular aspect of the same social situation' (Wilson, 1998, p .5). A case study by its nature should not have a rigid design. A researcher needs to follow leads and respond to feedback. This can be a limitation of the case study method as subsequent research might not be limited to the same variables investigated and, consequently, might not produce identical results. This can to some extent be alleviated by compiling a case study database and a research protocol (Yin, 1994, pp. 95, 63) to provide details to guide other researchers and explain the various stages of the research [see Section 4.4, Points on Validity and Reliability of the PB Case Study].

A large amount of detailed data emerging from the case study may render the research unreadable and lacking in theoretical orientation (Smith et al., 1988). In the PB case study an attempt was made to minimise this by preparing a detailed plan before embarking on the case study, and by constantly linking data collected to the research questions, thereby curtailing digression while hopefully safeguarding against overlooking

relevant matters [see discussion in Section 4.4, Points on Validity and Reliability of the PB Case Study].

As the case study was conducted on a single chosen bank, the degree of co-operation and involvement of the subject of the case study had a substantial impact on the conclusions of the case study. The question: to what extent are managers willing to share information on their operating systems? strongly poses itself. Managers might feel that, when answering in-depth questions, they will be exposing the weaknesses of the systems employed or might consider the information as their competitive edge over other banks and consequently refrain form discussing it in any detail. Extensive efforts were made to allay those fears through confidence building between the researcher and PB interviewees, and by trying to involve and interest the interviewees in the study [see Section 4.3.3, PB Interviews].

Reliability of data - in the sense of to what extent one can rely on the information provided- is another aspect to be considered as interviews of PB managers were the main source of information for the investigation. Answers given in interviews might be what the interviewees believe or hope to see happening in their organisations and not what actually takes place (Young, 1999, p. 82). One also cannot rule out the possibility of informal as well as formal systems operating side by side.

To overcome this, a kind of triangulation of information was used in the PB case study and the survey for that matter, by interviewing more than one person from each of the three groups mentioned in the data collection, namely: compilers, movers and users [Exhibit 2.6, Data Collection Methods]. The information collected through interviews was cross checked by documentation and observation.

The time horizon of the case study is cross-sectional. This entails a description and evaluation of MAS in Jordanian banks as a result of certain environmental influences frozen at a point in time. A longitudinal study will be much more informative but, for the sake of expediency, a cross sectional investigation is preferred. There is not enough scope for repeating the investigation at different future intervals of time for the purpose of this research.

Exhibit 2.6
Data Collection Methods
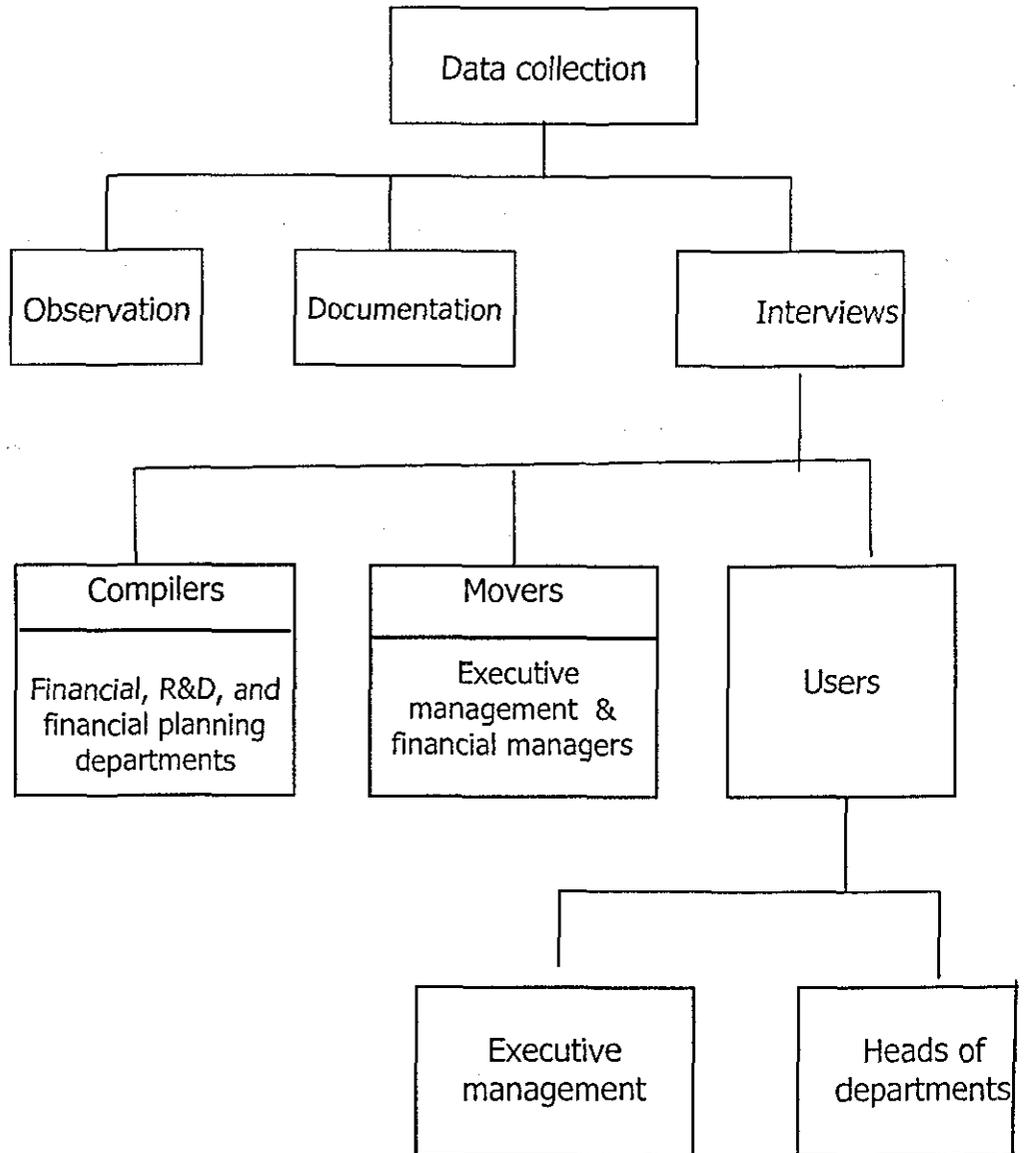
A limitation particular to this study is that few serious attempts were made to study certain aspects of MAS in JCB. No comprehensive research on MAS in Jordanian banks has been done before. Therefore there are no past reference cases to build on or with which to compare results. This drawback can be partly overcome by trying to be as comprehensive as the research boundaries permit, and by keeping an open mind with regard to different outlooks and interpretations.

2.2.2 The Survey – Research Method 2

A survey was chosen as a second method in this research for a number of reasons mainly:

- Surveys may be used for descriptive, explanatory and exploratory purposes (Babbie, 1983, p. 203). This fits well with the aim of the research - as it is with the case study that preceded the survey - to have a descriptive account of MAS for the population of the survey, to try to understand the characteristics of MAS employed, their implementation, and their operation.

- Generally speaking, a survey's particular strength is its greater reliability. In this research a set interview guide was used to collect data and all the survey interviewees were asked the same questions in the same order [see Section 5.5, Survey Data Collection].

- A Survey offered flexibility in tackling the research question through asking different questions to cover different angles and different areas of the investigation [see Appendix 3, Survey Interview Guide].

Some of the limitations of using a survey method the research had to address:

- Carrying out a survey might seem superficial and inadequate in dealing with a complex topic such as MAS in a contextual setting (Babbie, 1983, p. 232). A survey due to its nature cannot probe in-depth into a phenomenon and assess the effect of environmental factors compared to unstructured interviews where questions might provide more scope for following leads. Nevertheless, this drawback decreased in the interview guide used for the survey as personal interviews were carried out and a substantial number of open-ended questions were included [see Section 5.5.3, The

27

Survey Interview Guide]. Furthermore, subsequent analysis of data collected from the survey and related afterwards to the data from the PB case study might balance this weakness and offer added reliability, which a case study used in the first phase of the research might lack with its stronger emphasis on depth.

- Another drawback of questionnaires used in surveys for data collection is the several and at times serious implications for the analysis of the survey when questions are badly formulated, or when questions do not cover sufficiently all the necessary areas of a study. An added complication is that, once the survey design and questionnaire has been decided upon, any subsequent realisation of neglected areas cannot be accommodated at a later stage. We tried to neutralise these drawbacks in the survey of JCB as the questions were answered in personal interviews thereby providing an opportunity to ask further questions and give clarification which is not possible when questionnaires are mailed to the respondents.

- A further limitation of surveys is bias from both interviewers and interviewees (Zimmerman, 2001, p. 420; Johns et al., 2002, p. 101), sample bias, and position bias (Johns et al., 2002, 101) which require researchers to be more careful in drawing inferences from studies employing survey methods (Zimmerman, 2001, p. 420). We hope that this was minimised in the survey of JCB as all commercial banks were included.

2.2.3 Multiple Interviews

Multi-lateralism was also implemented in this research through offering explanations of the role of MAS in enhancing OE in the context of JCB deploying a miscellany of methods – case study v. survey; interview, observation, data collection, documentary analysis, reviewing external writing, etc. [see Section 4.3, Data Collection; and Section 5.5, Survey Data Collection; and Exhibit 2.6, Data Collection Methods].

Multi-lateralism was implemented by: ·

1. Interviewing at a variety of organisational levels. In the PB case study 16 semi-structured personal interviews were the main source of field data and included: the general manager, 12 senior head office managers, and 3 branch managers [see more

in Section 4.3.3, PB Interviews]. In the survey, interviews covered branch managers, sub-department managers, departmental managers, and deputy general mangers [see Section 5.6, Sources of Data; and Section 5.7, The Survey Sample; and Exhibit 5.3, Distribution of Survey Interviews according to Position].

2. Looking at the impact of MAS on OE in several departments/functions, viz credit, finance/financial control, deposits, branches.

3. Taking the research into head office branches and distinguishing for operational purposes between lead branches and other branches to highlight the differences in terms of types of information, details, how and when MAS information was received.

Semi-structured interviews were chosen as the main source of data collection since they have a decided advantage enabling:

- observation as well as asking questions;

- probing to elicit responses in situations when the respondent had more to add to a question;

- adapting questions as the situation arises;

- clarifying doubts and rephrasing questions whenever needed;

- picking up non-verbal cues from respondents that could not possibly be conveyed by any another method [see more in Section 5.5.2, The Survey Interviews].

To minimise the problem of reliability of the respondents' answers (Dixon et al., 1987), triangulation of information was attempted with cross-referencing to other sources of evidence [see Section 4.3.3.3, Interview Guide; and Section 5.5.3, The Survey Interview Guide].

2.2.4   Document Analysis

To ensure as much as possible the accuracy and honesty of the responses to the questions in the PB interviews, document analysis, a secondary method of data collection, was used in the case study to collect more information and to supplement and hopefully confirm the answers given through the interviews. Document analysis helped in studying human communications and social behaviour (Babbie, 1983). It has the added advantages of being economical, and unobtrusive. [See more in Section 4.3.2, Documentation].

Document analysis also provided an insight into the orientations of management towards organisational issues. This opened possibilities to studying matters such as language used in MAS reports and memos, and the degree of details used by both managers and subordinates.

Discrepancies or contradictions found between what was mentioned in the interviews or between interviewees and the other data collection methods were investigated to try to get possible justifications and clarifications.

2.2.5 Observation

Observation of the managers interviewed at work was a third means of collecting data in the case study and survey. Careful observation and description are essential for scientific research (Kaplan, 1986, p.435). Data collected through observation was assimilated in the analysis stage with data from the other sources thereby providing an outlook from a third perspective [see more in Section 4.3.1, Observation].

> 'the aggressive banter of the shop-floor is likely to give more insight by its form as well its manifest content, into how labour is experienced and understood, than any number of questionnaire responses, or even lengthy interviews' (Giddens,1995, p. 148).

2.3 Sequence

The research has a sequence which is both conceptual and operational, depicted in Exhibit 2.7, The Role of MAS Enhancing OE in JCB: Theoretical Research Framework. Through a funnelling process the focus was narrowed from a wider review of MA, MAR, and OE to reviewing literature on MAS in the banking sector and subsequently focus on MAS in JCB, to study their role in enhancing OE. Most importantly the research proceeds from in-depth case study to interview-based survey of the whole sample.

Furthermore, there was a pilot study prior to undertaking this research. The pilot study was carried out on four banks chosen judgementally to gain some appreciation of the role of MAS. It looked into types of MAS information provided through MAS and MA techniques used in the pilot study sample of banks.

Exhibit 2.7

The Role of MAS in Enhancing OE
in JCB: Theoretical Research Framework

```
┌─────────────────────────────────────────────┐
│   Literature review of developments in MA,    │
│   MA theoretical bases, MAR and OE            │
└─────────────────────────────────────────────┘
                      │
                      ▼
        ┌───────────────────────────────┐
        │   MAS in services:            │
        │   role and design             │
        └───────────────────────────────┘
                      │
                      ▼
        ┌───────────────────────────────┐
        │   MAS in banks:               │
        │   role and design             │
        └───────────────────────────────┘
                      │
                      ▼
        ┌───────────────────────────────┐
        │   MAS in JCB:                 │
        │                               │
        │   role and design             │
        └───────────────────────────────┘
                      │
                      ▼
          ┌─────────────────────┐
          │   Impact on         │
          │   OE                │
          └─────────────────────┘
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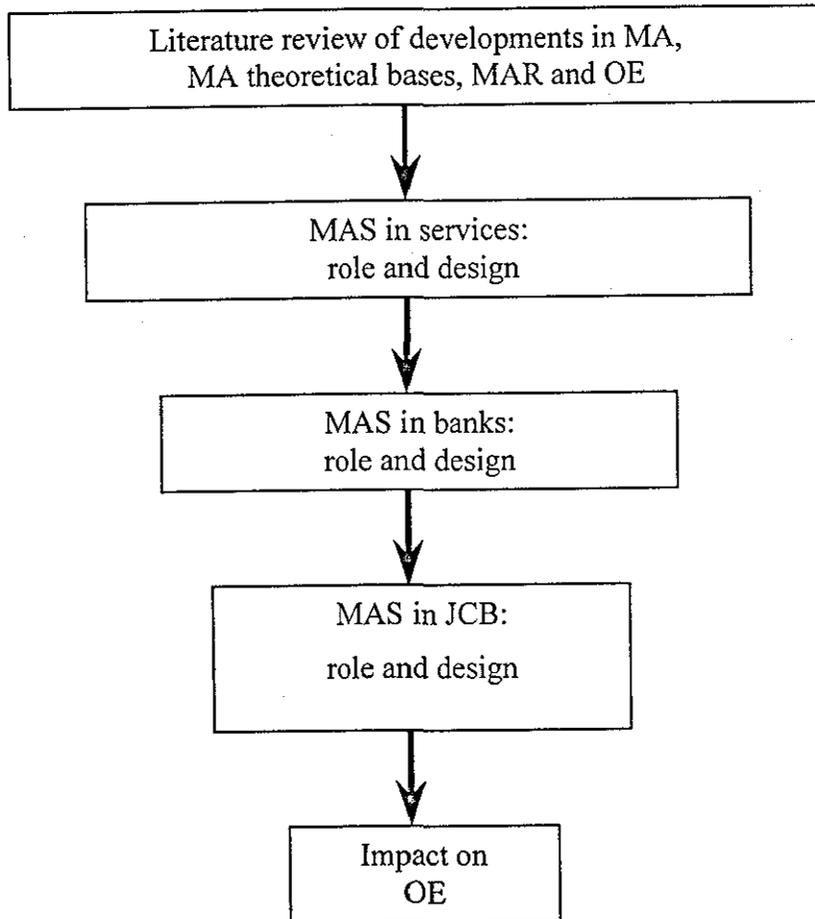
Finally, this research is itself in its modest way a part of the sequence of MAS research, and it has been shaped by what has preceded it as reflected in the literature: ideas developed in the next chapter [see Chapter 3, Part I, Historical Developments in MA; Part II, Theoretical Bases that influenced MA; and Part III, A Literature Review of MAR; Part IV, Literature Review of Management Accounting Systems (MAS) ; Part V, A Literature Review of OE].

The detailing of the research design and the way in which it is operationalised is shared between this chapter, and the first parts of Chapters 4 and 5, where the PB case study and the survey of the other banks is discussed. Data analysis follows a conventional and well-trodden path, replete with checks and balances, and this is discussed in the first part of these two subsequent chapters, as is our attempt to reduce bias in the conduct and interpretation of the research [see more in Section 4.6, Analyses of Collected Data from PB; Section 5.8, Survey Data Analysis]. In the present chapter we wanted to concentrate on working out the principles that shaped the design and execution of the research.

2.4   The Significance of the Research

This research hopes to contribute to the MAS literature by:

(1)   Confirming or otherwise the findings of previous research on the contingent variables that affect MAS design as shown in Exhibit 4.12, Factors Affecting Design of MAS.

(2)   Proposing the linking of MAS design to OE to explain the contribution of MAS employed in JCB via their users in running their organisations. Such a link to OE has been highly neglected. In addition to the direct objective of investigating the role of MAS in enhancing OE in JCB, investigating these systems will help practitioners understand their organisations better. [See more in Section 3.15, The Role of MAS in Organisations].

(3)   This research, in acknowledging the impact of culture on the design and operation of MAS, attempts to throw some light on this issue. The importance of the setting or the context for the implementation of specific MA techniques is acknowledged by many researchers (e.g. Gurd & Thorne, 2003, p. 21; Hopper et al., 2003, p. 16;

Chenhall, 2003, p. 131), and is seen as being a topic that calls for more research (Hopwood & Bromwich, 1984, p. 10).

(4) The research contributes to researching MAS in banks which represent a highly neglected sector. In my literature review I found that most of what has been written and studied on MAS is in manufacturing organisations, with very little related to banks (Rezaee, 1991, p. 31; Bromwich & Bhimani, 1994, p. 247; Shields, 1997, p. 6; Helliar et al., 2002, p. 29; Chenhall, 2003, p. 144). The research looks into the role, design, and operation of MAS in banks which hopefully will continue to initiate beneficial effective organisational changes (Choudhury, 1986, p. 21, 24).

(5) The research provides a basis for further MAS research in Jordan as a theme not previously researched and provides information about actual MAS practices in that country. This research into MAS seeks to contribute to MAS design in Jordan by giving it direction, penetration and congruency with other organisational components. To my knowledge no research of this breadth and depth has been previously done on MAS in JCB.

MAS as part of management information systems employed by Jordanian banks are one of the factors enhancing the success of Jordanian banks by providing 'the central core of management information' (Otley, 1995, p. 46), as the better the information, the better the decision-making and power utilisation (Hall, 1972, p. 292) hence the greater the OE.

The days of closed and protected economies are ebbing. Jordan, as other countries in the world, will have to follow suit and join the universal trend and open up to global financial markets. This trend is already on its way: Jordan as a market-oriented economic system joined bodies such as GATT and World Trade Organisation. International competition from foreign banks poses a threat to Jordanian banks in the local and regional markets. The Central Bank of Jordan has severely restricted the operations of foreign banks by restricting the number of foreign banks in Jordan. However, more Jordanian banks are slowly starting to operate outside Jordan.

This calls for a change in current policies which, up to now, have hindered the banking sector from taking advantage of opportunities in the late 1970s and the

1990s [see Section 1.3, Development of the Banking Sector in Jordan on weaknesses of the banking sector].

2.5   Summary of Chapter 2

The research aims at offering explanations of the role of MAS in enhancing OE in the context of JCB. The research investigates the research question with reference to macro- and micro-environmental factors: the individual, the organisation, the banking sector, and the wider societal contexts. It identifies external and internal factors that affect the role and design of MAS, and looks into their impact.

The study is informed by the conviction that the more ways that are used to generate knowledge and understanding of the researched entity the more substance and less bias the research will have. The research uses two research methods: a case study and a survey, and three methods of data collection (observation, document analysis, and interviews). Interviews covered different organisational levels and functions in the banks. The research has a sequence which is both conceptual and operational. It reflects developments in the literature (see Chapter 3), and itself has a modest place in the sequence of MAS research.

CHAPTER 3
A LITERATURE REVIEW

Preview

Before plunging into the substance of the literature some orienting remarks may be helpful. First, as noted in Chapter 1, Jordan achieved statehood only in the second quarter of the last century. Jordan's industrial and commercial development is in consequence rather recent, and so Jordan has borrowed from other countries the institutional apparatus that supports these developments. In particular Jordan had no accountancy tradition and little indigenous MA research, and drew on the West to fill these needs. In practice this means that it has drawn on Britain and the USA for MA methods and procedures, and for a supporting rationale. This in turn means that the review of the primarily Anglo-American literature which follows is wholly appropriate as an antecedent to our research in Jordan.

Second, running through the literature is the increasing understanding that MA is a complex phenomenon, that exists in complex environments and organisations. In consequence the scope, orientation, and emphasis of MA has changed greatly in its history. In short, MA in both its theory and practice has been creative and adaptive: that is, it has generated new ideas and has adapted to changing professional exigencies.

Third, a part of this creative and adaptive progress has occurred through MA embracing developments in contingent disciplines, including economics, sociology, psychology and organisational studies.

Finally, the ensuing discussion of relevant literatures shows how MA has moved from a narrow and arguably mechanistic focus to a broad, multi-faceted and inclusive orientation.

We will argue later that these issues have shaped our research.

This chapter is divided into five parts, each part dealing with an aspect of the literature review [Exhibit 2.7, Theoretical Framework of the Research]. Part I discusses historical development of MA, and a review of philosophical and theoretical influences on MA development is offered in Part II. Part III reviews types of management accounting research (MAR) undertaken up to the early twenty-first century, and the different methods used in MAR. A separate section is assigned to MAR as this research is part of MAR, it is useful to look at extant MAR under a

separate heading in some detail, and identify where does this research stand vis-à-vis what is discussed. Part IV of the chapter looks at how the roles of MAS in organisations evolved over time and how it relates to OE. Part V is a literature review of organisational effectiveness (OE) looking into the meaning and measures of OE.

PART I
A LITERATURE REVIEW OF MANANGMENT ACCOUNTING (MA)

3.1 Historical Development of MA Practices

The use of the term MA or managerial accounting is comparatively new: according to Mattessich it started in the 1950s (Scapens 1984, p. 18). The term cost accounting (CA) and MA 'now tend to be used synonymously in textbook titles' (Scapens, 1984, p. 21). However, this is an inaccurate use of terms as the primary focus of cost accounting in early uses in manufacturing firms were the identification and allocation of costs, for pricing and rate-setting, employee and factory productivity efficiency (Noreen, 1987, p. 11). Wilson & Chua (1993, pp. 3, 4) describe the use of the term cost accounting and its development to today's MA as:

> 'Prior to 1950 the term 'management accounting' was used rarely... people today do not only use the term to refer to practices that have developed in the last forty years. On the contrary, most people commonly include under the label practices that emerged earlier...
> 'Most accounting historians agree that the precursor of modern-day managerial accounting is the cost accounting that was practised by the mechanized, multi-process, cotton textile factories that appeared in England and the United States around 1800'.

The development from CA to MA can also be seen in the change in the name of today's Chartered Institute of Management Accountants as it changed from The Institute of Cost and Work Accountants to Institute of Cost and Management Accountants to its current name.

3.1.1 Early Uses of MA in the Nineteenth Century

The earliest published researched use of a cost calculation technique reported in the accounting literature, as published in the English language, was in 1810 in the works of Wedgwood potteries, and in the early 1800s in the Soho Engineering Foundry of Bolton in Britain (Wardell & Weisenfeld, 1991, p. 657). Other early practices of MA reported by western researchers in the USA was in textile mills and, in particular, the Waltham mechanised mill in 1815 (Johnson & Kaplan, 1987, p. 7) and Lyman Mill in

1855 in New England (Kaplan, 1984, p. 391; Johnson & Kaplan, 1987, p. 24; Ezzamel et al., 1990, p. 159). Managers, engineers and accountants in those firms devised new means to replace labour conversion cost supplied till then by the market and the price system in the form of piece-rates (Chandler & Daems, 1979, p. 3; Johnson, 1983, p. 141). 'This entirely new type of accounting system anticipated modern management accounting' (Johnson, 1983, p. 141). Noreen (1987, p. 111) considers it as an attempt by management to measure operational efficiency making early cost accounting have a managerial purpose [Exhibit 3.1, Historical Development of MA].

New development in MA took place in still another economic sector. In the 1860s and 1870s managements of railway companies needed more than the costing techniques then used in the manufacturing sector in their extensive planning and control procedures as well as 'for evaluating and controlling the performance of their sub-units' (Kaplan, 1984, p. 391, 392). The new cost system in railway companies was also used for administrative co-ordination and monitoring (Chandler & Daems, 1979, p. 5) and for regulatory rate-setting purposes. By the 1920s, the transportation industry 'had evolved towards the measurement of marginal costs for particular classes of service' (Jaggi & Mensah, 1995, p. 14).

Cost accounting systems early uses at around the same time in the Carnegie steel mills in 1872 aimed at co-ordination, control, and pricing (Kaplan, 1984, p. 392; Johnson & Kaplan, 1987, p.32; Loft 1995, p.25). However, costing procedures were still crude and concentrated on costing labour and material (Loft, 1995, p. 23).

In the last quarter of the nineteenth century management in mass production firms needed new types of information: in addition to cost determination, pricing decisions, and stock control, they needed to appraise the efficiency of workers and the productivity of the factories. (Johnson & Kaplan, 1987, p. 47).

'At the turn of the century, however, a new form of non-market organization appeared. This new form, the vertically integrated firm, would lead to dramatic changes in MA practices. The vertically integrated firm did not concentrate exclusively on production. It combined marketing, purchasing and transportation also' (Johnson & Kaplan, 1987, p. 142). Managements of vertically integrated firms wanted 'to drive slack out of an entire industry' and not 'drive slack out of the labour conversion process', so new MA techniques to secure this task were developed (Johnson, 1983, p. 142; Loft, 1995, p. 25).

Exhibit 3.1

Major Historical Developments in MA Practices and their Uses

Period	MA techniques and practices developments	Uses
1800s to 1850s	Prime cost of production	To replace labour conversion cost /piece-rates (Chandler & Daems, 1979; Johnson, 1983). To measure operational efficiency (Noreen, 1987).
1860s to 1870s	Marginal costing for particular products	Planning, evaluating and controlling sub-units (Kaplan, 1984). Administrative coordination and monitoring (Chandler & Daems, 1979).
	Cost determination and stock control	Coordination, control and pricing (Kaplan, 1984; Johnson & Kaplan, 1987; Loft, 1995).
1880s to 1890s	Early standard costing	Appraise efficiency of workers and productivity of factories (Johnson & Kaplan, 1987).
1900s to 1950s	Return on investment Performance evaluation schemes Budgets for employees and divisional companies	Evaluation of performance of multi-process, multi-product, and multi-divisional companies (Chandler & Daems, 1979). Investment decisions (Kaplan, 1984).
1960s	Responsibility accounting	Managerial control (Scapens, 1984).
1970s		Provide managers with information for planning and control (Jaggi & Mensah, 1995).
1980s	Activity-based costing	Allocation and control of costs (Innes & Mitchell, 1995).
		The use of MA information to rationalise past actions (Hayes, 1983). Growing uses of MA in service industries (Ashton et al., 1995).
1990s	Strategic MA Environmental MA	Increased focus on strategic and environmental considerations (Ashton et al., 1995).
		Influence employees' behaviour (Hiromoto, 1991).
		MA as an agent of change (Burns & Scapens, 2000).

36A

What followed from this and was achieved by management in the Du Pont Powder Company was the evaluation of the performance of the entire organisation and the effectiveness of administrative coordination and not only processes of production (Chandler & Daems, 1979, p. 9; Jaggi & Mensah, 1995, p. 14). Du Pont's centralised accounting systems enabled top management to plan the allocation of new investment among competing economic activities (Kaplan, 1984, p. 397).

The next big development in cost accounting was the result of 'scientific management' [Exhibit 3.1 Historical Development in MA]. In the 1920s methods for standard costing were perfected (Kaplan, 1984, p. 391; Loft 1995, p. 24; Jaggi & Mensah, 1995, p. 14). By 1931 half of the largest manufacturing firms in the USA (Wardell & Weisenfeld, 1991, p. 659) were using standard costing, budgeting and performance reports.

The cost information used, in addition to controlling the efficiency of the manufacturing processes, was to control by 'comparing the actual efficiency with this potential', and to simplify the valuation of stock and work-in-progress (Loft 1995, p. 28). The scientific management advocates also 'started the practice of measuring and allocating overhead costs to products' (Kaplan, 1984, p. 394). This practice was later strongly criticised by Johnson & Kaplan (1987) who saw it as a move from cost management to cost accounting. What characterised the period was that 'such development stemmed primarily from radical innovations by managers and engineers and were relatively uninformed by academic work' (Ashton et al., 1995, p. 5).

Industrial societies were greatly affected by the new innovations and technologies and the term scientific became synonymous with the correct and true and any thing else was questionable. What added to the strength of that argument was that it worked for those managers who adopted it and produced results at a time where 'from the 1920s to the 1960s, a period when America's domestic market was relatively isolated from world competition' and the emphasis was on the ability to produce more and not on selling what firms can produce (Johnson & Kaplan, 1987, p. 129).

3.1.2 MA Developments with Large-Scale Manufacturing

New market realities that dominated the USA by now were large-scale manufacturing in vertically-integrated companies. 'Capital markets and markets for managerial talent were not well developed' and in search of improved resource allocation, 'these firms generated within themselves those two markets for capital and for talent' (Johnson,

1983, pp. 144-145). Measures such as return on investment (Chandler & Daems, 1979, p. 9), internal incentive schemes for performance evaluation, and budgets for employees and the company's divisions were implemented. By doing this, cost accounting left the shop floor for the larger domain of the division and the whole company (Johnson, 1983, p. 143; Loft 1995, p. 29) when, traditionally, MA techniques had focused on supporting middle mangers to control shop floor workers (Atkinson et al., 1997, p. 88). Be that as it may, MAS were 'only loosely integrated with management planning and control systems' (Ashton et al., 1995, p. 2). However, this moved MA to a new era where MA information served purposes not only of shop floors but also of the whole organisations' planning and control functions.

In Europe less attention was given to determining costs (Chandler & Daems, 1979, p. 11), MA became fashionable in UK manufacturing firms during the 1950s (Scapens, 1984, p. 19). The reasons causing MA to lag behind in the UK, as seen by Johnson & Kaplan (1987, p. 142), were the state of the economy and the single process technology adopted by UK manufacturing firms. The explanation by Johnson & Kaplan (1987, p. 143) for the different development of MA practices in the UK from the way it developed in the USA emphasises the importance of the perception of managers of the needs of their environment. British industrialists operated in extensive market opportunities: 'there was little need for British industrialists to co-ordinate economic exchanges within firms. Relying on market prices, the industrialists coordinated a far higher percentage of their exchanges among firms than did their American counterparts' (Johnson & Kaplan, 1987, p. 143). This underlines the changing nature of MA practices to suit the needs of MAS users that is influenced by factors such as changes in the economy, structure of organisations, products, processes, and the markets in which organisations operate. However, Johnson & Kaplan's (1987, p. 143) discussion of differences between MA practices in USA and Britain seem to ignore all that and strongly criticise the MA practices used in organisations as not developing further beyond practices developed in the early twentieth century.

3.1.3   Development of MA from Shop Floor to Boardroom

Before the Second World War the primary focus of MA was cost determination (Scapens, 1984, p.19) in manufacturing firms. Managements were interested in determining the full cost of products. By the mid-1950s the discounted cash flow was

heralded as a replacement of return on investment [ROI] and payback methods (Kaplan, 1984, p. 402). In the 1960s, responsibility accounting developed rapidly. 'Its development and popularity was a major step in the movement from cost control to managerial control which typified the emergence of MA' (Scapens, 1984, p. 28).

In the 1970s attempts were made to differentiate between MA and CA. '[T]he concept of MA was characterized as "performance accounting", and the main objective of MA was considered to be providing managers with information which could be used for planning and control activities' (Jaggi & Mensah, 1995, p. 15). In the early 1970s technological innovation impacted on the manufacturing processes, administration, the processing of information and creation of significant new markets (Ashton et al., 1995, p. 3).

This was followed by another important development in MA, the emergence of activity-based costing [ABC], which became popular in the latter half of the 1980s (Innes & Mitchell, 1995, p. 115). One other use of MA information that emerged in that decade was the political use of MA information selectively to rationalise past actions (Hayes, 1983, p. 245-246). During that time economic developments affected MA with the relative decline in importance of the manufacturing sector and growth in the service and financial services sectors (Ashton et al., 1995, p. 3). This meant that MA with its origins in the factory shop floor was evolving to meet the information needs of a work environment that was different in many respects.

What distinguished the development in MA during the 1980s was that developments came predominantly from practice and from consultants whereas the earlier suggestions tended to originate from academics and were championed by them in the 1950s – 1970s resulting in MA practices lagging behind (Kaplan 1984, p. 401; Bromwich, 1998, p. 387; Wardell & Weisenfeld, 1991, p. 656).

In practice, management accountants have adopted their techniques, mainly by trial and error (Emmanuel et al., 1990, p. 46), much in the same way as in the late nineteenth century and early twentieth century in responding to the needs of management and available resources as well as cost and benefit principles, and not always corresponding with more advanced and sophisticated techniques developed by academics [see discussion on this in Section 3.2, MA Practitioners and MA Academics: Diverging Agendas].

In the 1970s and 1980s managers commonly relied on financial numbers and balance sheets alone that led to the term of 'managing by numbers' (Johnson & Kaplan 1987,

p. 126; Bromwich & Bhimani, 1989, p. 14). MA practices emphasised the functional features in MA, regulation and the *status quo* (Cooper, 1983, p. 271).

In 1987 Johnson & Kaplan published their book *'Relevance Lost'* where they found information provided by MA to management to be 'too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions' (p. 1). They argued that MAS failed to keep pace with the evolution of product and process technologies (p. 13). They believed that by 1925 all MA practices 'had evolved to serve the informational and control needs of the managers of increasingly complex and diverse organizations (Kaplan, 1984, p. 390; Johnson & Kaplan, 1987, p. 12). Johnson & Kaplan (1987, p. 14) also expressed their surprise that, as great advances in information technology occurred, no corresponding change occurred in MA practices towards 'more relevant and more timely' use of MA. Johnson & Kaplan (1987, p. 2) concluded that managers' horizons contracted to the short-term cycle of the monthly profit and loss statement.

Johnson & Kaplan's (1987) book prompted many responses. Their opinions were not shared by all MA researchers. The responses ranged from partial agreement (Drury et al., 1993; Horngren, 1989, p. 26; Ezzamel et al., 1990, p. 161) to a cautious one and a call for more investigation of the issues (Bromwich & Bhimani, 1989), to offering different explanation for the state of affairs of MA described by Johnson & Kaplan. Horngren (1989, p. 26) wrote:

> 'I am not upset as he (Kaplan) evidently is, why? Many of the companies do not find an investment in a detailed cost accounting system worthwhile'.

Bromwich & Bhimani (1989, p. 3) published their findings in an empirical study sponsored by CIMA and concluded that '[n]o general crisis has been identified within the management accounting profession...and therefore no radical reforms are recommended at this stage'.

By the late 1980s, it was evident that academics realised that MA research needed a new direction, focus and theoretical framework. The general agreement at the time was that matters then were not satisfactory, but opinions on the explanation of the reasons that led to the *status quo* of MA showed no general agreement. The epistemological positions of each researcher, whether it was a normative functional position as deciding for MA practitioners how to use MA techniques and why and what is best for them or an interpretive/hermeneutic approach influenced each researcher's explanation.

With the benefit of hindsight one can argue that MA as a social process interacted with social change from the mid nineteenth century to the late twentieth century, as well as with developments in related disciplines. MA moved from a fixation with mathematical calculations that characterised management science and MA textbooks, to a greater interest in the more difficult measurement aspects (Otley & Pollanen, 2000, p. 495). On another level, MA moved towards more liberal and pluralist social values, which reflected itself in more openness to different interpretation and away from a 'best way' of doing things.

Projecting from this, and with the knowledge of more than 150 years of MA practice, one thing we can be certain about is that research and practice will continue to evolve with a mutual influence of all aspects of societal evolution be it social, political, economic or technological. Certain techniques and processes will rise and fall and that on its own is of no intrinsic value but what is important is how to put MA to the best use as a support mechanism for rationalising decisions of its users, while keeping in mind that rationalising of decisions changes with time and place, 'MA as a field can be used to reflect changes in reality of every day life' (Vámosi, 2000, p. 43).

3.1.4   MA in the Late Twentieth Century – A New Domain

CIMA (1993) defined the purposes that a management accountant has to achieve in *Standards of Competence in Management Accountancy* as: provide planning services, guide management decisions, analyse, report and interpret the organisation's performance to management, and present reports and accounts for investors. The scope of contemporary MA has widened 'encompassing a growing body of techniques which have been developed in the light of the needs which managements have to plan, control and make decisions. MA is presented as a far superior entity to cost accounting which is best understood as only one aspect of MA' (Roslender 1992, p. 135). But for the MA profession to maintain its relevance as a key ingredient in successful enterprise management, 'the continuous dynamic experimentation and implementation of MA techniques has to be encouraged' (Bromwich & Bhimani, 1989, p. 89).

'The last few years have seen a renaissance in the theory and practice of MA. MA has been forced out of the moribund state in which it largely addressed the problems of the technology of the nineteenth century'. (Ashton et al., 1995, p.1). The change was once again as it was in the nineteenth century, influenced by markets, social and

political changes in the environment which meant increased focus on strategic and environmental considerations (Ashton et al., 1995, p. 2) [Exhibit 3.2, Factors Influencing Development of MA; and Exhibit 3.3, The Interrelationships among Influences on the Development of MA].

Exhibit 3.2
Factors Influencing Development of MA

	Factor	Reference
1	Social developments	Loft, 1986; Wardell & Weisenfeld, 1991; Jones, 1992
2	Political developments	Loft 1986
3	Economic developments	Johnson & Kaplan, 1987; Loft, 1986; Wardell & Weisenfeld, 1991; Hiromoto, 1991
4	Cultural characteristics	Hopwwod & Bromwich, 1983; Wardell & Weisenfeld, 1991
5	Market developments	Johnson & Kaplan, 1987; Loft, 1986; Wardell & Weisenfeld, 1991; Hiromoto, 1991
6	Technological developments	
7	Organisational changes/ type of firms	Johnson & Kaplan, 1987; Jaggi & Mensah, 1995; Kaplan, 1986; Scapens & Bromwich, 2001; Atkinson et al., 1997
8	Developments in related disciplines	Jaggi & Mensah, 1995

Culture was also perceived as a factor influencing the emergence and spread of MA (Loft, 1986, p. 138; Wardell & Weisenfeld, 1991, p. 663; Bromwich & Bhimani, 1989, p. 36; Hiromoto, 1991, p. 14) as trading became 'transnational, planning and control systems need to pay attention to different cultures and traditions' (Ashton et al., 1995, p. 4). Wardell & Weisenfeld (1991, p. 656) explain the difference between the USA and UK historical practices of MA as being reflected in cultural reasons vis-à-vis 'the industrial relations of the two countries, in particular management styles and labor activism'. Hopwood (1983, p. 289) recognised this when he wrote: 'both MA and financial accounts are characterised by an amazing diversity, both within a national culture and even more so across different national contexts' [see discussion in Chapter 4, Part V, The Effects of External and Internal Cultures on MAS at PB; and Chapter 5, Part V, The Internal and External Cultures' Effects on MAS in JCB]. McMann & Nanni (1995, p. 340) observe that most of the ideas used in Japanese culture are not new to the practice of MA in other cultures, nevertheless, are implemented differently within different cultures.

Exhibit 3.3

The Interrelationships among the Influences on the Development of MA

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┌─────────────────────────┐
│   Economic changes      │
└─────────────────────────┘

┌─────────────────────────┐
│    Technological         │
│    developments          │
└─────────────────────────┘

┌─────────────────────────┐
│   Developments in        │
│     forms of             │
│   organisations          │
└─────────────────────────┘

┌─────────────────────────┐
│   Cultural influences    │
└─────────────────────────┘

┌─────────────────────────┐
│   Developments in        │
│   related disciplines    │
└─────────────────────────┘

┌─────────────────────────┐
│    Social changes        │
└─────────────────────────┘

┌─────────────────────────┐
│   Political changes      │
└─────────────────────────┘
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┌──────────────┐
│     MA       │
│   practices  │
└──────────────┘
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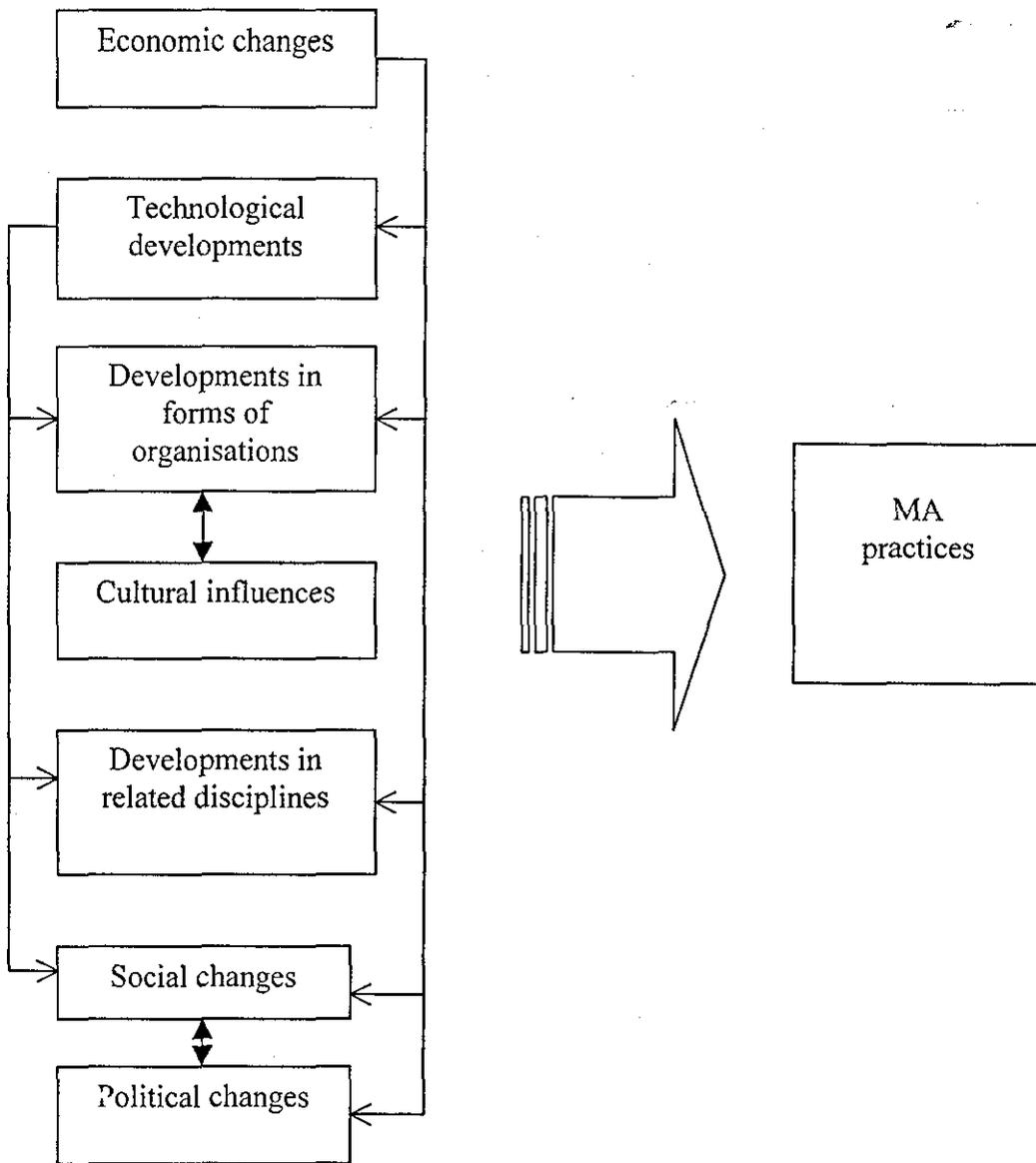
MA practices have evolved to meet the information needs of management (Anderson & Lanen, 1999, p. 380). What started in the 1980s and continued to the current day showed a move away from the normative and best-way to a more than a contingent approach (Scapens, 1984, p. 61) emanating from a realisation that diversity is inherent in environments and individuals, and the belief that a normative best-way does not fit with such diversity.

Burns & Vaivio (2001, p. 390) remark that, in the current times, traditional techniques are used alongside new and so-called advanced accounting techniques, but that MA is undergoing important changes as it 'is becoming more and more decentralized and being pushed out into core business areas' (Burns & Vaivio, 2001, p. 390), and that management accountants are perceived today as more of 'business support' than 'controllers'. Such a perception of MA is important for MA's continuing relevance to users' needs. Restricting MA solely to operative/feedback solely would undermine MA's role in operative as in other roles of control (feedback and feedforward), planning and decision-making.

3.1.5 MA Education

It took more than 100 years - according to history records known to us – for cost accounting to be introduced in higher education institutions in the UK. In 1918 lectures in cost accounting were introduced into the curriculum of the London School of Economics (Loft, 1986, p. 146). Accounting students up to the end of World War I 'had few alternative opportunities of being made aware of accounting and related issues of the day...Financial reporting and auditing were always prominent: cost and management accounting much less so' (Lee, 1984 as quoted by Parker, 1999, p. 2).

In 1961, Singer (p. 115) advocated the introduction of a cost accounting course at an advanced level in the US college curriculum. The topics suggested by Singer (1961, p. 116) came under planning and control. He wrote: 'because of the nature of text book theory and because of the influence of C.P.A. [certified public accountants] examinations on what is taught there is usually a need in the college curriculum in accounting for a course at an advanced level which may, and often is, called "management accounting".'

Johnson & Kaplan (1987, p. 135) describe the education which accounting students received in universities in the USA as:

'Textbooks used in 1920s university accounting courses spoke of cost accounting strictly in terms of inventory costing for financial reporting purposes: only in the post-World War II era did academics' writings herald the "birth" of management accounting'.

A much similar description of MA education is also expressed by Horngren (1989, p. 21) as he described his experience as an accounting student in 1947 as a 'plodding excursion through product costing for the primary purpose of inventory valuation and income determination...the second course in cost accounting at more than one state university was "Advanced Process Costing" '[Exhibit 3.4, Content of Cost Accounting Textbooks in US Universities in the Early 1970s].

Exhibit 3.4
Content of Cost Accounting Textbooks in the Early 1970s

	1945-50	1951-60	1961-70
Number of books examined topics	7	13	14
Inventory valuation (%)	73	64	46
Cost control (%)	21	27	21
Management decision-making (%)	6	9	33
Total (%)	100	100	100

Horngren (1989, p. 23), source: Foster (1971), Volume II, p. 2

In the early 1970s behavioural topics were introduced into accounting education as textbooks previously only discussed economic theories in accounting (Lord, 1989, p. 133). Such a change in outlook of MA could also be observed in CIMA's numerous syllabus changes since its foundation in 1919 to correspond to changes in the uses of MA.

In 1984, Scapens after examining a number of MA textbooks noted that textbooks gave 'particular attention to the classification of costs as fixed and variable. This reflects the short-run decision-making orientation of much current MA thought' (Scapens, 1984, p. 26).

In June 1988 CMA: The MA Magazine (Canada) published: 'much of what is currently taught in management /cost accounting courses is unlikely to be of much use in managing contemporary operations or in guiding strategy' (Bromwich & Bhimani, 1989, p. 2). This adds a further dimension to the intensive debate on the divergence of

MA practitioners and MA academics since the early 1980s [see discussion in Section 3.2, MA Practitioners and Academics: Diverging Agendas].

MA education in Jordan is greatly influenced by what is taught in US universities, where similar syllabi and textbooks are used as core references by teaching staff and students. Prior to the early 1960s when the first university was opened in Amman the influence was a mixture from British and American higher education institutions as students travelled to Egyptian, British and American business schools.

3.1.6 MA Theoretical Literature

As early as the 1900s articles describing the use of standard costing, budgeting, and performance reports as a management tool appeared in the USA, 'yet similar articles did not appear in British literature until the mid-1900s' (Wardnell & Weisenfeld, 1991, p. 657).

The biggest thrust of MA literature was in the 1960s where literature introduced some new techniques and older techniques were further refined [see Literature Review of MAR in Part III of this chapter]. During the same period serious theoretical literature has developed (Puxty, 1993, p. 6): 'it has developed with such speed, and with so many changes of direction that easily recognized names for schools of thought have not grown commensurately with it'. Still there was no explicit statement of the underlying theory and there was significant concern among MA academics to establish a more complete theoretical basis for MA (Otley, 1984, p. 99; Scapens, 1984, p. 20; Kaplan, 1986, p. 432) [see Theoretical Bases of MA, Part II; and Literature Review of MAR, Part III of this chapter].

Kaplan (1986, p. 445) also found that not enough research was done to provide descriptions and systematic observations of MA and what referencing was available was predominantly of work by economists (Kaplan, 1984, p. 407).

3.1.7 The Role of Professional Institutes in the Development of MA

Professional institutes had an influence on the spread and organisation of the profession (Burchell et al., 1980, p. 7) on both sides of the Atlantic. The early beginnings in the UK with the Institute of Cost and Works Accountant in 1919, now called the Chartered Institute of Management Accountants (CIMA), and the National Accounting Association, now IMA in the USA. The then Institute of Cost and Works Accountants 'began to act as a focal point for the growth of discussion about the

45

nature of cost accounting knowledge and techniques, and the role which cost accountants should play in society' (Loft, 1986, p. 141).

Professional bodies played a part in spreading MA education through their examination syllabi as they provided an interface with government agencies. The development in MA was reflected by professional bodies that encouraged change in a number of ways from name changing to changes in training and education programmes as in the case of CIMA.

However, professional accounting bodies and academic literature have diverging views on the role of management accountants. Professional bodies view it in very general terms as meeting managers' needs for financial-based information whereas, academic literature looks into MA issues 'in relatively self-contained packages- i.e. topics' (Scapens, 1984, p.74).

3.2 MA Practitioners and MA Academics: Diverging Agendas

Three years before Johnson & Kaplan (1987) published '*Relevance Lost*', Hopwood & Bromwich (1984, p. 3) noted that:

> 'the fact that practice has not changed in the name of the theory now is being seen as an interesting issue in itself rather than necessarily a manifestation of tradition, ignorance or the incapacity to change'.

This posed an insightful question: 'why is practice the way it is?' In the same year Scapens (1984, p. 36) wrote that there was no coherent body of literature that described MA in practice [see Chapter 3, Part II, Theoretical Bases of MA] and that there existed no comprehensive survey of the practices and techniques used at the time. Scapens also remarked that the impression of the divergence of practice and research was based on 'anecdotal evidence and impressions gained through informal contacts between academics and practitioners'.

An example of this is described by (Wilson & Chua, 1993, p. 403),

> 'There is very little empirical awareness of the actual operation of MAS within organizations. As a consequence, theoretical developments are often (if not usually) unrelated to actual practice, so the need exists to bring these two aspects of MA close together as a priority'.

A critical reading of MA history shows that MA developed as managers realised that it can be put into use in planning and control (Scapens, 1984, p.19). During the 1980s MA's nature was changing to correspond to changes in manufacturing and information technology to a role of decision-support system (Otley, 1985, p. 19) as it

developed to meet planning and control needs of divisionalised companies in the 1920s.

For the past two decades or so the emphasis on reporting financial information (Johnson & Kaplan, 1987, p. 16; Bromwich & Bhimani, 1989, p.16) has been changing. The importance of reporting non-financial information is now recognised in response to 'changes in the cost structure and the manufacturing and competitive environment' (Drury, 1996, pp. 5, 513). A related issue put forward and criticised by the interviewees in this research was the emphasis on short-termism which can be explained by reasons other than those suggested by Johnson & Kaplan (1987) i.e. due to the stagnation of loss of relevance. It can be explained by 'a principal-agent relationship and exigencies of performance evaluation as can still be found reported nowadays in management accounting research' (Currie, 1995, p. 344).

Ezzamel et al. (1990, p. 161) took the position that "as essential to understanding of both its (MA) 'rise' and its 'fall', it should be understood that 'managing it by numbers' 'is not a 20[th] century 'subversion' of an originally 'useful' cost and management accounting -J&K's thesis...- but was genetically implanted in the seed from which that accounting was generated". Still another explanation by Wardell & Weisenfeld (1991, p. 667) is that MA, once introduced, 'remained relatively unchanged' because managers found it provided them with the control over the sought, in addition to the consideration of the cost and the benefit of information. Noreen (1987, p. 110) found that Johnson & Kaplan's recommendation for improving the practice of MA vague and consequently difficult to operationalise, and that 'the proposition they push the hardest - full "tracing" of all costs to products - appear to be just another conceptually flawed full cost allocation scheme'. In addition Noreen's (1987, p. 113) critique is that Johnson & Kaplan 'seem to disapprove of financial accounting allocations on the grounds that they arbitrarily allocate costs that cannot be traced (the orthodox criticism) they disapprove of them because they are not "accurate" enough for managerial uses'.

Many researchers commented that MA research was removed from MA practices (e.g. McCosh & Howell, 1983, p. 280; Hopwood, 1983, p. 302; Hopwood & Bromwich, 1984, p. 2; Choudhury, 1986, p.21; Johnson & Kaplan 1987, p.14; Horngren, 1989, Atkinson & Shaffir, 1989, p. 59; p. 22; Ashton et al., 1995, p. 7). MA researchers were influenced strongly by economics' one product, one production-process model of the firm.

Managers and MA practitioners in 1950s, 1960s and 1970s found the new techniques and models irrelevant to their organisations and still hung on to older techniques and measurements. A survey of MA practices in UK manufacturing companies by Drury et al. in 1993, did not unequivocally endorse Johnson & Kaplan's cry of diverging practices and techniques:

> 'the analysis of the survey of the questionnaire replies indicated that a variety of different practices are used many of which appear to correspond closely with theory. However, the replies to some questions also indicated that there was a considerable gulf between some aspects of theory and practice' (Drury et al., 1993, Executive Summary, p. 1).

The survey showed though that over-simplistic overhead allocation methods are used for decision-making and that the gap between theory and practice was particularly wide for smaller businesses.

In spite of active MA research in the 1950s and 1960s in the new roles of MA for improving decision-making (Johnson & Kaplan, 1987, p. 162), such research was not embraced with an equal enthusiasm by managers and management accountants. The research was based on micro-economic theory and operations research and, in spite of their complexity, they failed to capture the complex and dynamic nature of environments that faced managers in addition to the considerations of costs of and benefits from using them. This proved another aspect of the rift between MA practice and MA theory, which started early in the century by lack of MA academics contribution to MA practitioners and spread to interests in diverging directions.

Zimmerman (1979 as quoted in Scapens, 1984, p. 58) provides a convincing explanation of why MA practitioners still held to techniques that Johnson & Kaplan (1987) and others strongly criticised:

> 'so long as the derived benefits exceeded the information costs involved, rational individuals may be expected to use allocation techniques'.

Watson & Marrett (1977 as quoted by Scapens, 1984, p. 36), in explaining the reasons why MA practitioners did not extensively use MA techniques, suggested these as being: the high cost of using them, the absence or unreliability of required data, the inability of some of the users to understand the techniques, and the long time-span needed to apply them.

More than a decade later, Jones (1992, p. 250) concluded from the findings of his empirical study that management accountants had 'only a tenuous link between themselves and the accountancy profession', which underlines the need to give practitioners' needs and expectations proper attention (Lewin & Minton, 1986, p.

526). MA as a mechanism to support MA information users necessitates the interaction and relevance to MA practitioners.

When considering why MA techniques and practices proposed and developed by academics were not used by practitioners, it seems the question should be flipped from why MA practices lag behind those techniques advanced by MA academics to why did MA academics knew little of the needs of MA practitioners and their complex work environments?

This was remarked upon by Parker (1999, p. 27) remarks on how published accounting literature shows the demarcation between MA academics and MA practitioners:

> 'The distinction between professional and academic accounting journal is today a very sharp one, illustrating very well the distinction between the literature of a technology and the literature of a science. Articles which are published in *Accounting and Business Research* would not be considered for *Accountancy* and vice versa'.

Parker (1999, p. 27) continues to reflect that 'there is a danger that academic accountants are moving in increasingly small circles, ignorant of, and, one fears, sometimes even contemptuous of what is appearing in the journals they do not read'.

The debate opened the door to discussing the future shape and form which MA should take. Hopwood & Bromwich (1984, p. 6) feel that the divergence between MA practitioners and academics is giving way as:

> 'Both accounting researchers and practitioners are now aware that the potential of management accounting to further the economic rationality of organizational decision processes is dependent upon the analytical and technical components of accounting not only intersecting with the human and social fabric of the organization but also influencing it in very particular ways'.

Looking back at the historical development of MA practice one finds that it was influenced by economic and market realities and changes (Loft, 1986, p. 151; Wardell & Weisenfeld, 1991, p. 656; Hiromoto, 1991, p. 6), by organisational changes/types of firms (Kaplan, 1986, p. 441; Johnson & Kaplan, 1987; Jaggi & Mensah, 1995, p. 14; Atkinson et al., 1997, p. 80; Scapens & Bromwich, 2001, p. 251); by social realities (Loft, 1986, p. 150; Wardell & Weisenfeld, 1991, p. 656; Jones, 1992, p. 253) affecting society in general and particular industries in particular; by political changes (Loft, 1986, p. 146) as well by cultural contexts (Hopwood & Bromwich, 1983, p. 289, Wardell & Weisenfeld, 1991, p. 660); also by developments in related disciplines (Jaggi & Mensah, 1995, p. 28). All these affect MA through its influence on the internal and external environments of firms such as management, operational research, sociology, psychology, and economics, and by technological innovations in

manufacturing and in information technology (Hiromoto, 1991, p. 3) [Exhibit 3.2, Factors Influencing the Development of MA]. Those same factors will also continue to influence future developments in MA and MAS.

It can be concluded from the above discussion that a number of issues need to be considered in understanding the development of MA practice and research:

[1] the relevance of MA research to MA practice;

[2] the needs of MA users including costs and benefits of information;

[3] the environments in which firms operate; and perhaps

[4] the role management accountants perceive themselves to play as agents of institutionalising the *status quo* or as agents of change.

3.3 Challenges Facing MA

Challenges that face MA can be broadly divided into three:

[1] to ensure that management accountants are primary providers of information for planning, decision-making, and control to users at different levels, MA must respond to the needs of users of MA information, which is in itself formidable as environments and users evolve over time. MA needs to face accelerated developments and the dynamic nature of modern business environments whether in markets, products, competition, technology, innovation, or social changes.

Within such a dynamic setting Cooper (1996, pp. 31, 32) sees that such an environment poses new challenges for management accountants who 'have to accept that their professional lives are going to significantly be altered' by the growing importance of cost management with the implication on qualifications needed by management accountants in broad business backgrounds (Cooper, 1996, p. 32; Anderson & Lanen, 1999, p. 409) and system design skills.

[2] The second challenge is to maintain a theoretical framework that will enable those involved and interested in developing MA to do so in a satisfactory way.

[3] Among the challenges that face MA is fostering a closer working and interactive relationship between MA researchers and MA practitioners, (Hopwood & Bromwich, 1984, p. 6; Palmer 1992, p. 181; Bromwich & Bhimani, 1994, p. 149; Wilson, 1995, p. 161) and providing information to managers to be used for strategic management and offer a way forward (Allen, 2003, p. 12).

From this follows the challenge to MA academics and practitioners to re-examine their methods and theories by becoming more involved in field-based research as

described by Mintzberg (1979 as quoted by Kaplan, 1984, p. 415) to 'capture the fun and excitement that have been missing from our managerial accounting research because of our reluctance to get involved in actual organizations and to muck around with messy data and relationships'.

In the case study on a Jordanian commercial bank, I tried to address the challenges of responding to the MA information needs of MA users by a system for interaction among users, initiators and designers of MAS to maintain the relevance of MA information to their needs. The research also addresses the fourth and fifth challenge of getting involved in JCB and trying to understand the needs of practitioners and having a close working relationship between practitioners and academics.

3.4   Who Needs to be Involved in MA Change Processes?

Starting from the premise that MA change is a positive process a question arises whether it is a consciously planned process or subject to random influence (Burns & Vaivio, 2001, p. 394). One thing is for sure, MA change is not a neutral process (Burns & Scapens, 2000, p. 17; Burns & Vaivio, 2001, p. 395), and that the more widely practices are institutionalised the more difficult change is (Burns & Scapens, 2000, p. 11) [see Chapter 4, Case Study of PB where the above was observed, described and the impact of change analysed].

Executive and/or top management as influencers of the design and roles of MAS are one party to instigate change (Burchell et al., 1980, p. 10; Burns & Vaivio, 2001, p. 395). Kaplan (1984, p. 409) and Johnson & Kaplan (1987, pp. 24,30,32, 47) explain that MA practices evolved from the demands of senior executives.

Management accountants can also be agents of change by virtue of their position in the organisation and their exposure to development in the field of MA (Burchell et al., 1980, p. 8; Allen, 2003, p. 12).

Management accountants by possessing well-developed technical and social skills (Chenhall & Langfield-Smith, 1998, p. 381) and as information specialists might seek to influence or instigate change by virtue of their 'problem-solving activities as a part of their role in a firm' or as they respond to uncertainty in the environment (Newman et al. 1989, p. 128). Chenhall & Langfield-Smith (1998, p. 363) reported examples of what they and other researchers have stated before them, that management accountants show low interest in change even when it is apparent that they have the functional skills to assist in the programmes of change. A question asked by McCosh

& Howell (1983, p. 282) more than two decades ago but which is still very pertinent, is: 'are industrial accountants so totally in the grip of traditional methods that they lose the will to experiment, and/or are not permitted by their executive management?'

MA change can also 'be regarded as a fundamentally local concern' (Burns & Vaivio, 2001, p. 395). **Local managers** can be agents of change with their local knowledge with which top /senior executive might not be in close contact.

A fourth party involved in the process of change are **professional institutes** by providing forums for debates from which change can begin (Burchell et al., 1980, p. 8; Burns & Scapens, 2000, p. 12).

In addition, **MA research** can also influence MA change through influencing all parties discussed above. Through recognising the need for change, whether in response to changes in the external or internal environments of firms, researchers could provide some answers to users of MA information and practicing management accountants.

Notwithstanding the above, change could be hindered by a number of factors relating to managers' and management accountants' commitment to the need for change. Some of the factors that might hinder MA change are: costs (Bromwich & Bhimani, 1994, p. 98); the lack of requisite skills and technology (Bromwich & Bhimani, 1994, p. 98; Burns & Scapens, 2000, p. 17); managerial internal organisational factors [status structure, internal politics]; the financial and intellectual investments in existing systems (Gross, 1965, p. 211; Bariff & Galbrith, 1978, p. 15; Burns & Stalker, 1994, p. 101; Bromwich & Bhimani, 1994, p. 98; Burns & Scapens, 2000, p. 17); and internal politics within an organisation (Burns & Scapens, 2000, p. 17). [See Exhibit 3.5, Factors Hindering MA Change Process in Organisations; and Exhibit 3.6, The Interrelationships among Factors Hindering MA Change]. 3.5 Defining MA

Defining what is MA is not an easy task. What characterises MA is its evolving dynamic complex nature, and multidisciplinary span of scope (Newman et al. 1989, p. 136). In a treatise in 1922 William Paton describes what he regarded as the cost accountant's chief activity:

> "the essential basis for the work of the cost accountant -without it, there could be no costing- is the postulate that the value of any commodity, service, or condition, utilized in production, *passes over* into the object or product for which the original item was expended and *attaches* to the result, giving it its value" (as quoted by Johnson & Kaplan, 1987, p.136).

Exhibit 3.5
Factors Hindering MA Change in Organisations

	Factor	Reference
1	Cost of change	Bromwich & Bhimani, 1994
2	Lack of requisite skills	Bromwich & Bhimani, 1994; Burns & Scapens, 2000
3	Unavailability of technology	Burns & Scapens, 2000
4	Financial and technological investment in existing systems	Gross, 1965; Bariff & Galbrith, 1978; Burns & Stalker, 1994; Bromwich & Bhimani, 1994; Burns & Scapens, 2000
5	Internal politics	Burns & Scapens, 2000

Since then MA evolved into new domains [see discussion in Section 3.1, Historical Development of MA]. Such an emphasis on financial information and allocation of costs in MA could still be found two decades later (Singer, 1961, p. 112; Kaplan, 1984, p. 414). What MA meant to its practitioners in the middle of the eighteenth century is not the same as it was in the early twentieth century or the early twenty first century.

The complex nature of MA comes from the collective context, the wider social and institutional forces that surround it (Burns & Vaivio, 2001, p. 393). The interlinkages of MA with the external and internal environments of organisations that are by their very nature evolving and changing renders defining MA problematic. MA is a mechanism that can be used in different ways by different people, it plays different roles relating to the different perspectives of stakeholders.

MA, embedded in the social and organisational context means that it incorporates sociological, psychological, economic, and organisational facets, and in order to process information it incorporates statistical and quantitative techniques as well as IT [Exhibit 3.7, Attributes of MA]. This further adds to the complexity that governs MA. Therefore, any definition of MA needs to reflect its multi-disciplinary nature. The dominant perspective of defining the role of MA is that of management (Singer, 1961, p. 113; McCosh & Howell, 1983, p. 282; Scapens, 1984, p. 18; Johnson & Kaplan, 1987, p. 1; Bromwich & Bhimani, 1989, p. 95; Puxty, 1993, p. 87; Wilson, 1998, p. 5) in their own capacity and as agents of capital providers. One explanation given by Wardell & Weisenfeld (1991, p. 662) for the dominance of a management perspective

Exhibits 3.6

The Interrelationships among Factors Hindering
MA Change Process in Organisations

53 A
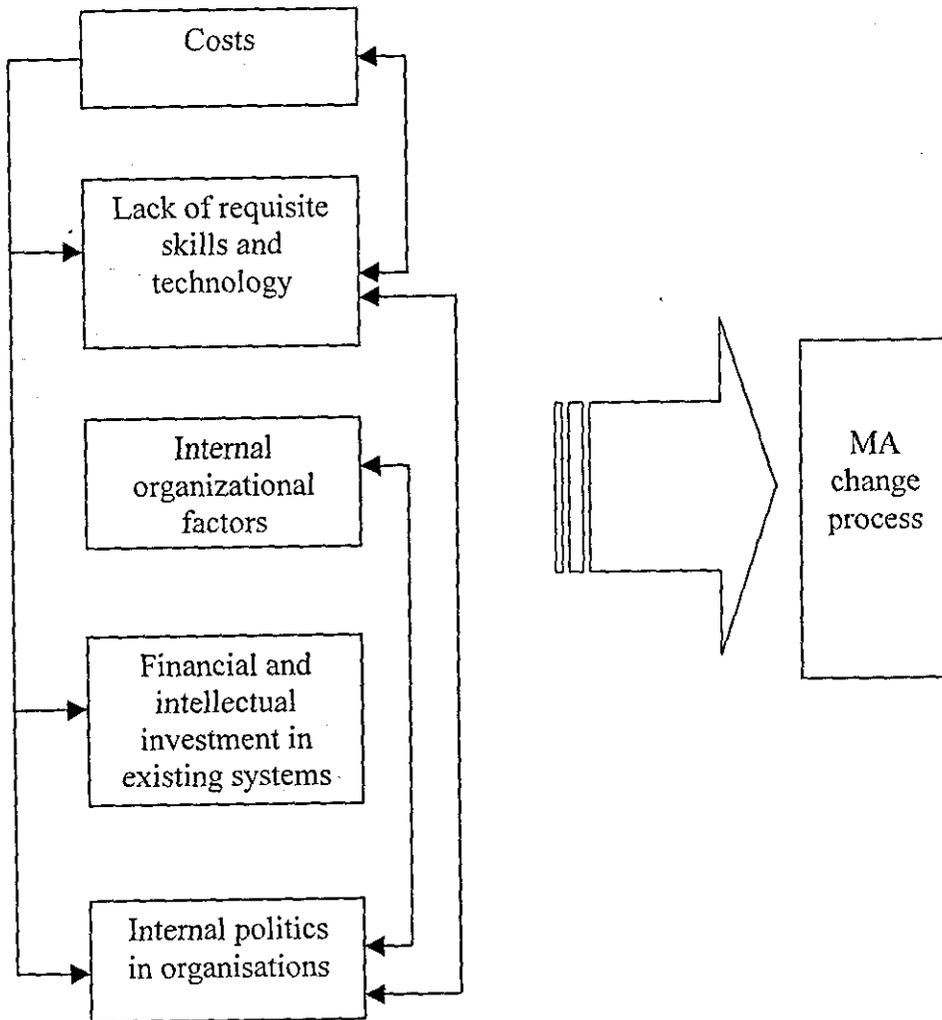
is the context in which MA developed by management in the USA characterized by 'an explicit concern for profit without regard for tradition or interpersonal relations…in the latter half of the nineteenth century'.

Exhibit 3.7
Attributes of MA

Attributes of MA	Reference
Dynamic	Stone et al. 2000
Multidisciplinary	Newman et al., 1989; Wilson & Chua, 1993
Evolving	This research
Complex	This research
Has a wider social scope	Burns & Vaivio, 2001
Has an institutional scope	Burns & Vaivio, 2001
Of public interest	Johnson, 1983; Lovell, 2002
Multi users	Loft, 1986
Political	Wilson & Chua, 1993; Drury, 1996
Has diverse practices	Wilson, 1998
Purposeful to achieving certain outcomes	Wilson & Chua, 1993
Collective context	Burns & Vaivio, 2001

A broader perspective is 'the clients served' (Hopper, 1980, p. 401) whoever these clients might be. Different users of MA information can also be government agencies as Loft (1986, p. 141) explains the involvement of government agencies in World War II 'almost one could say as an unintended consequence of the way in which the government attempted to prevent profiteering and to price their contracts with manufacturers in the absence of a free market' and other government agencies nowadays still do.

Such a broader perspective might seem at first incompatible with the initial early uses of MA. Nevertheless, MA information when available in organisations can be used and be of use not only to managers within organisations in line with the call for more transparency and social accountability of organisations.

Accounting academics (Johnson, 1983, p. 145; Lovell, 2002, p. 158) believe that a public interest perspective needs to be adopted, given competitive and financially driven markets:

> 'social and political pressures, moreover, may force MA to adopt a commitment that transcends commitment to employer and client, recognizing the public interest to be paramount, a matter which has not been a hallmark of MA practice, although the idea is not new' (Johnson, 1983, p. 145).

All this contributes to the difficulty that one faces in defining MA at a certain time and in a certain context. However, in this resides the power of accounting 'in its capacity to provide an orientation to both self and other as an object of use - as a commodity' (Smith et al., 1988, p. 116).

3.5.1 Defining MA through Duties Undertaken by Management Accountants

In their attempts to capture the nature of MA and what it involves, researchers tried to describe the role of management accountants either in terms of the duties they undertake or the information with which they deal (Newman et al., 1989, p.127; Stone et al., 2000, p. 698) [Exhibit 3.7, Attributes of MA].

Other researchers distance MA from the practices of management accountants in that MA can no longer be understood as a discrete knowledge set, mastered and practiced by MA specialists. Instead, MA in some organisations is becoming a dispersed knowledge set applied by non-accounting employees (Burns & Vaivio, 2001; Hiromoto, 1991). Therefore, defining MA as that which management accountants do becomes problematic.

Newman et al. (1989, p.129) in an investigation undertaken in British Columbia (Canada) tried to identify components of the role of MA as a function of position in the organisation's hierarchy from data collected from 350 questionnaire sent to middle-management accountants and controllers. The analysed data showed that although financial controllers spent more time on score keeping [20.5%], they did not perceive it as the greatest contribution to their organization. That contribution came from providing management information [19.6% of their time] (Newman et al., 1989, p. 131). Stone et al. (2000, p. 701) share the same conclusion that 'higher-ranking accounting professionals have broader responsibilities (e.g. supervision, strategic planning)'.

Hopper (1980, p. 405) found that core activities of management accountants from undertaken research were:

> '[1] preparing future budgets, [2] producing budget results and compiling actual, [3] providing special reports, [4] liaison with managers outside of formal meetings'.

On tasks management accountants undertake, CIMA's listing is more specific than providing information to management or budgets and budgetary control to areas of:

1. formulation of policies,
2. planning and controlling the activities of the enterprise,
3. decision taking on alternative courses of action,
4. disclosure to those external to the entity (shareholders and others),

5. disclosure to employees,
6. safeguarding assets' (*Management Accounting Official Terminology*, 1984, p. 10).

This research adopts a similar understanding as CIMA's in investigating and discussing the roles of MAS in enhancing OE in JCB.

A suggested definition by Institute of Management Accountants (1998) in the USA explains that 'the core technical knowledge of managerial accounting is much broader and includes budgeting and cost analysis, corporate financial management, decision analysis, and information systems' (Hunton et al., 2000, p. 752). Nevertheless, MA 'as a set of practices...is enormously diverse...inadequately captured by an enumeration of technologies, whether past or present' (Wilson, 1998, p. 5).

3.5.2 Defining MA through Topics Included in Textbooks

Some researches tried to define and explain MA by looking at the topics discussed and taught to students in MA textbooks. A perusal of MA textbooks shows an influence of research in the 1950s and 1960s (Scapens, 1984, p. 17). The major topics in the field of MA as found in textbooks are: planning, cost classifications, control, costing, and divisionalised organizations' (Scapens 1984, p. 22). An investigation of major MA textbooks used in US universities from 1945-1970, showed a change of emphasis from cost determination in 1945-1950 to management decision-making in the 1970s (Horngren, 1984, p. 23). [See discussion in Section 3.1.5, MA Education; and Exhibit 3.4, Content of Cost Accounting Textbooks in US Universities in the Early 1970s].

On this Johnson & Kaplan (1987, p. 137) note that early in the twentieth century 'glaringly absent from these textbooks is any mention of actual MA practices in contemporary industrial organizations'. Nevertheless, attempting to define MA through topics in MA textbooks cannot provide a satisfactory meaning of MA. As mentioned earlier, MA is characterised by a dynamic nature emanating from its contextual characteristic.

3.5.3 Defining MA by Academics

One interesting way suggested by Hayes (1983, p. 245) to understand MA, is by looking at it as 'a history, story of the organization in procedural form, a historical base upon which to build future actions. The reason for the action does not have to be

continually sought, for it has been done in the past'. However, building future action does not identify domains for MA or the means available to it.

Wilson & Chua's (1993, p. 17) definition of MA explains the future action – discussed above – as making better decisions with the aim of enhancing OE. Wilson & Chua also give a broader identification of users of MA techniques and process by referring to people within an organisation, and types of MA information provided to users as financial and non-financial information.

Drury's (1996, p. 660) description of the role or purpose of MA draws from the work of many researchers highlighting the diversity of opinions on what MA is. He lists it as being: a rational/instrumental purpose, a symbolic purpose, a political/bargaining purpose, a legitimate/retrospective rationalising purpose, and a repressive/ dominating/ ideological purpose.

Within such varied approaches to defining MA and different perspectives in perceiving the function and role of MA, a proposed definition of MA should include relevant elements from the different definitions and needs to reflect four main areas:

    a. the variety of multidisciplinary techniques and process used in MA,

    b. the important role MA has in providing information,

    c. a more effective serving of the different clients of MA,

    d. the differing as well as continuously evolving goals and interests of those clients which evolve and change in priority as the clients' environments continue to evolve.

Consequently MA can be defined as: An accounting mechanism that works within an organisation with a forward orientation encompassing a wide variety of multidisciplinary techniques and processes that continuously evolve over time, to provide information -financial and non-financial- for decision-making, planning, and control to its clients, who exchange prominence as societies evolve politically, economically, and socially, to forward their changing goals and interests and each client's perception of effectiveness.

PART II   THEORETICAL BASES OF MA

A number of researchers believe that there is no MA theory (Otley, 1984, p. 98; Scapens, 1984, p. 20; Kaplan, 1986, p. 441; Roslender, 1990, p. 354; Zimmerman, 2001, p. 412). Otley (1984, p. 99) noted that 'It is only recently that significant concern has been shown with establishing a more complete theoretical basis for MA'.

Burchell et al. (1980) argue that it would have to be recognised that for the foreseeable future at least, the different theoretical influences on MA would produce not only insights, but problems and leads as well. Those different theoretical influences could help in allowing us to develop what Colville (1981 as quoted by Otley, 1984, p. 139) calls 'a theoretical framework which will allow us to develop more different ways of thinking about accounting'.

Notwithstanding the above, MA was influenced by three main theories: economic theories, behavioural theories, and social theories. Under each of the main theoretical heading a number of other theories informed MA thought [Exhibit 3.8, Main Economic Theories in MA; Exhibit 3.9, Main Behavioural Theories in MA; and Exhibit 3.10, Main Social Theories in MA]. Although the three theories influenced MA thought at different stages over the historical development of MA, all exist side by side in current times with each going through ups and downs in popularity. 3.6 The Influence of Economic Theories on MA

Within economic theory, a number of theories influenced MA techniques and process such as: neo-classical theory, information economics theory, agency theory, and game theory [Exhibit 3.8, Main Economic Theories in MA].

Neo-classical economic theory, or MA conventional wisdom, influence is evident in MA textbooks (Otley, 1984, p. 98; Horngren, 1989, p. 32), in the decision models used by MA researchers (Scapens, 1984, p. 34; Drury 1996, p. 660), and in the emphasis on the technical orientation and the evaluation of technical efficiency of processes only. Anthony (1960 as quoted in Scapens, 1984, p. 24) believed that the major attraction of the economic theory model was that it permitted rigorous mathematical modelling of accounting problems, in addition to the influence by scientific management principles that pursued accuracy of measurement.

Decision and control models in the conventional wisdom are prescriptive and operate in a closed system ignoring the external environment and assuming rationality of managers and the absence of power struggles. This was described by Puxty (1993, p. 15) as ahistorical, apolitical, rationalistic, reductionist and problem-centred. Neo-classical economic theory 'provisionally excluded organizational structure and imperfect information until about the third quarter of the twentieth century; it has provisionally excluded limits to human cognitive capacity until more recently' (Luft & Shields, 2002, p. 797). This present research in looking into the role of MAS in enhancing the planning, decision-making, and control in JCB and subsequently the

impact on OE, discusses the influence of the external environment, impact on organisational structure, power struggle, and internal politics and incorporate all these away from prescription. [See Chapter 4, Case Study of PB; Chapter 5, Survey of JCB; and Chapter 6].

Exhibit 3.8
Main Economic Theories in MA

- o Neo-classical theory (1950s)
- o Information economics theory (1970s)
- o Game theory (1970s)
- o Agency theory (1970s)

Exhibit 3.9
Main Behavioural Theories in MA

[A] Sociological Approach:

Organisation theory (1950s) ⎯⎯⎯⎯ ⎡ Classical management
⎟ Systems approach
⎣ Decision-making approach

Contingency theory (1970s)

[B] Psychological Approach:

Control systems theory ⎯⎯⎯⎯ ⎡ Stimulus-response
⎟ Conditioning
⎣ Cognitive dissonance

Exhibit 3.10
Main Social Theories in MA

- ▪ Structuration theory (1950s)
- ▪ Interactionist/Social Action theory (1970s)
- ▪ Labour process approach (1970s)
- ▪ Critical theory (1980s)

The neo-classical perspective influenced the decision models more than behavioural theories in spite of the considerable behavioural research in budgeting and standard costing (Scapens, 1984, p. 31). This line of thinking in MA resulted in the view that MA practice:

> 'is based on the assumption that budgets and standards for human and organizational performance can be set in a more or less objective and scientifically verifiable manner. To some extent this may be true for well understood tasks, although even here the fact that one is dealing with human beings rather than machines sets limits to what can be achieved' (Emmanuel et al., 1990, p. 43).

In the 1970s a more realistic concept of information costs and benefits was brought to MA by the work of information economists who provided a more fruitful approach (Scapens, 1984, pp. 46, 47). The conventional wisdom of MA that was embraced by MA researchers in the 1960s was successfully challenged (Scapens, 1984, p. 61) by behavioural theories.

3.6.1 Game Theory

'A significant development in the cost allocation literature took place in the latter part of the 1970s when game theory models were introduced' (Scapens, 1984, p. 59). However, game theory did not deal satisfactorily with two important factors that influence decision-making: uncertainty and asymmetric information. Ignoring uncertainty has serious implications for using MA information whether for planning, decision-making, or control.

Uncertainty in modern times is one important characteristics of organisations' environments. To take one example relating to JCB, uncertainty in their external environment was one of the most relevant elements in planning, decision-making and control [see Section 4.7.2.2, Information on the External Environment at PB; and Section 5.9.2, Information on the External and Internal Environments of JCB]. Furthermore, such uncertainties may be inevitable because of the high costs of obtaining better measures of relevant factors (Scapens, 1984, p. 72).

Asymmetry of information relates to this study in what is discussed in factors that hindered flow of information [see Section 4.10, Factors Hindering Diffusion of Information in PB] and game of budget [Section 14.17, Conflict of Interest in Setting Goals and the Game of Budget Control at PB].

Those shortcomings gave way to agency theory, which provided a better framework for multi-person information system choice (Scapens, 1984, p. 64; Johnson & Kaplan, 1987, p. 174).

3.6.2 Agency Theory

'Agency theory stems from information economics research' (Tiessen & Waterhouse, 1983, p. 254). Baiman (1982, as quoted by Scapens, 1984, p. 68) regards it 'as the foundation for a rigorous normative theory of management accounting' as it provides an analytic framework to model control systems in complex and decentralised organisations (Otley, 1985, p. 9; Johnson & Kaplan, 1987, p. 174).

Agency theory is concerned with 'the role of information (including management accounting information) in contracts; in particular, the role of information in improving the firm's efficiency by reducing the problems of moral hazard and adverse selection' (Scapens, 1984, p. 66).

In dealing with uncertainty an important distinction is made in agency theory between *ex ante* and *ex post* uncertainty (Scapens, 1984,p. 72). However, the role of post-decision information has received, and still does, the most attention in the agency theory literature (Scapens, 1984, p. 68). *Ex post* uncertainties arise because of imperfections in information systems. One point that needs to be noted when discussing moral agency is that agency theory endeavours to maximise the interests of the shareholders, which is an area of debate in the present time when social and public interest might conflict with shareholders' interest (as discussed in Section 3.1.4 MA in the Late Twentieth Century - A New Domain).

Agency theory's contribution to MA is in emphasizing 'management accounting's role as a control system, as well as a decision-facilitating system which was the primary concern of earlier research' (Scapens, 1984, p. 72). It discussed the significance of the role of performance evaluation and motivation in achieving organisational objectives (Scapens 1984, p. 57).

Agency theory in MA is criticised for being a normative economic model (Scapens, 1984, p. 63) although it added behavioural constraints to the economic model (Scapens, 1984, p. 64). In addition to dealing with organisational situations as within 'the two-person, single-period agency model cost allocation appears just as irrational as within management accounting's conventional wisdom' (Scapens, 1984, p. 71).

Furthermore, agency theory does not consider information costs or the cost of available alternatives. It assumes that information is available to both the principal and agent and emphasises the importance of risk-sharing between principal and agent in the design of accounting systems (Scapens, 1984, p. 68, 72), all of which contrast with real life situations.

Despite the interest in agency theory applications in MA, there has been relatively little research on this area, in particular, calls for testing theoretical linkages in MA which draw on both agency theory and organization theory (Chia, 2000, p. 244) have not been answered.

The analysis of data collected from the PB case study and the survey show elements of agency theory in areas such as a principal–agent relationship, asymmetry of information, and moral hazard, relating to planning, decision-making and control in an organisational context, as well as the impact of this on performance evaluation and motivation in goal attainment.

3.6.3   Criticism of Economic Theory of MA

The adoption of economic theory in MA has been strongly criticised in terms of ignoring the cost of information, assumed rationality of a decision-maker seeking profit maximising in isolation of others in an organisation, thereby ignoring individual differences and preferences. Economic theory in addition does not incorporate what actually happens in practice (Otley, 1984, p. 98; Drury, 1996, p. 661), and presents an objective view while accounting is not neutral and cannot be viewed as such.

As discussed earlier in this chapter [Section 3.2, MA Practitioners and MA Academics: Diverging Agendas], many of the economic theory techniques were not widely used by practitioners (Scapens, 1984, p. 39, Kaplan & Johnson, 1987, p. 14; Horngren, 1989, p. 22). One explanation is the failure of the techniques to meet the needs of decision-makers even with the more complex multi-person theories such as game theory (Scapens, 1984, p. 59). MA needs to assess the more important social and behavioural processes which underlie MA information usage rather than relying upon purely economic arguments.

Covaleski et al., (1996, p. 22) sum up the main criticism to economic theory as, 'these traditional approaches are problem driven and directed towards improving and refining the instrument that is management accounting to better serve exogenously given organizational goals and thus somewhat narrow in focus'.

3.7 Behavioural Theory in MA

The employment of behavioural theory in MA started in the 1950s. However, its popularity rose in the 1970s with the failure of economic theory to explain or predict the decision models, and as more MA researchers started to realise the importance of incorporating the complexity of environments and multiplicity of factors within organizations (Hopwood, 1983, p. 302; Emmanuel et al., 1990, p. 47).

The term 'behavioural accounting' has no precise definition (Lord, 1989, p. 124), but it refers to behaviour of individuals within organisations and their interaction, as well as interaction between accounting systems and human behaviour (Otley & Pollanen, 2000, p. 495). Earlier behavioural accounting research focused primarily on individual behaviour (Otley, 1984, p. 97) whereas later research focused on behaviour of the organisation (Sathe, 1978, p. 91; Otley, 1984, p. 97).

Hopwood (1978, pp. 4-5) notes on the environmental influences on MA research within behavioural theory in the 1960s and the 1970s that:

> 'virtually all the pioneering studies in the area, and the vast majority of the subsequent work to date has emanated from USA, or at least been strongly influenced by US approaches and concerns, it should not be surprising that the conceptual and methodological approaches that characterise behavioural enquiries undertaken in the accounting area should be related to the dominant concerns in the substantive (actual) areas of American Social Science...contrast the more micro American orientation, with its focus on organizational psychology, with the more macro European approaches focusing on questions of organizational sociology'.

Budgets and standard costing as with agency theory and traditional management theory received particular attention. 'The effects of behavioural research on the techniques that can be regarded as basic to management accounting's conventional wisdom have been minimal' (Scapens, 1984, p. 31). Notwithstanding this, budgeting and budgetary control gained a more comprehensive contextual approach, which refined its uses and implications in organisations such as in the works of Brownell (1981), Brownell & McInnes (1986), and Abernethy & Brownell (1999).

Three main behavioural theories informed the MA literature: organisation theory, contingency theory with a sociological approach, and control systems theory with a psychological approach [Exhibit 3.9, Main Behavioural Theories in MA].

3.7.1 Organisation Theory in MA

The criticism for consistently dealing with humans within an organisation as machines whether in control or prediction and decision-making in the conventional MA wisdom, paved the way to introducing organisation theory into MA. The

recognition that the work situation involves 'both social and technological factors' was a clear shift of focus in MA (Scapens, 1984, p. 56; Otley, 1984, p. 97; Emmanuel et al., 1990, p. 46). The influence of behavioural and organisation approaches on MA dates back to the 1950s and 1960s but it was only in the 1970s that significant work was done within those theoretical frameworks (Otley, 1984, p. 97).

Some researchers were more inclined to use the term 'organisational behaviour' rather that 'organisational theory' (Otley, 1984, p. 103) as organizational theory has no clear boundaries which defines a subject of study, no particular set of research methodologies, or a coherent overall theory, rather a series of different yet related insights (Hopwood, 1983, p. 303; Otley, 1984, p. 96; Emmanuel et al., 1990, p. 38). Nevertheless, organisational theory/behaviour gained prominence in studying MA practices as it 'has enormous potential to illuminate some of the more problematic aspects of the accounting craft' (Hopwood, 1983, p. 291). Organisation theory provides a contribution in the areas of decision-making processes and control systems with its use of socio-technical systems and open systems and 'by its knowledge of both the possibilities and limitations inherent in these perspectives' (Otley, 1984, p. 131).

Nevertheless, until the early 1980s 'very little empirical work has actually been performed using this perspective; the state of the art can perhaps best be illustrated by examining the development of the study of budgetary control' (Otley, 1984, p. 100).

3.7.2   Systems Theory

Systems theory underwent a substantial change in emphasis in the mid-1950s, but its impact on the study of MA was delayed until around 1975 (Emmanuel et al., 1990, p. 46). Systems theory foundations lie in 'attempting to overcome reductionism. It views every problem as a whole' (Puxty, 1993, p. 31).

Systems theory is more a way of thinking than a strict theory encompassing 'virtually everything that systems theorists want to include in it'. It spans from 'mechanical structure to…the level of social organizations' (Hofstsede, 1968, pp. 85, 86-87).

Gross (1965, p. 196) notes that in a general systems approach it is important to set aside 'the idea that a system is necessarily something that is fully predictable or tightly controlled. This impression is created whenever anyone tries to apply to a human organization the closed or non-human models used by physicists and engineers'. Cybernetics, a closed systems approach, 'has been strictly and narrowly

interpreted in the control literature' (Ansari, 1977, p. 102). It failed to recognise the impact of people on technology and structure and presumed that humans will react in a consistent and predictive way (Ansari, 1977, p. 102).

An open systems approach was seen as being more relevant since those systems incorporate the wider environment of an organisation (Lowe & Soo, 1980, p. 68; Scott, 1977, p. 74). The interaction started as a one-way influence with the environment but moved to a two-way influence. The strength of this approach is in its being characterised by internal and external relations of conflict and co-operation, providing feedback through multiple channels, changing, complex, loose, with variables that can only be described in qualitative terms, and subject to considerable uncertainty in terms of environment and decision-making (Gross, 1965, p. 197).

Organizations can be seen as open systems 'comprising various subsystems that individually and jointly determine OE and also help (as one set of constituencies), to define the criteria of OE' (Pennings & Goodman, 1977, p. 153).

Yachtman & Seashore (1967, p. 897) comment on the use of an open system approach as a 'promising theoretical solution' when applied to formal social organisations. The open system model emphasises the distinctiveness of the organisation as an identifiable social structure or entity and it emphasises the interdependency of processes that relate the organisation to its environment.

Systems theory, however, suffer from carrying values of neutrality and objectivism (Puxty, 1993, p. 40). This led researchers within this line of thinking to present models that are to be viewed as 'transcendental, and work across historical eras and cross cultures' (Puxty, 1993, p. 141).

3.7.3   Contingency Theory in MA

From the mid-1970s and 1980s, the contingency theory of management accounting has become a main focus of attention (Emmanuel et al., 1990, p. 38; Wilson & Chua, 1993, p. 53). '[T]he use of concepts from organisation theory led to an interest in the contingency theory of organizational design; from this was developed a contingency theory of the design of management accounting and budgetary control systems' (Otley, 1984, p. 101). In contrast Gordon & Narayanan (1984, p. 33) believe that contingency approaches to MA relating to internal and external environments of organisations came from an information processing perspective.

The contingency theory of organisation is described as:

'a loosely organized set of propositions which are committed to an open systems view of organization, which are committed to some form of multi-variate analysis of the relationship between key organizational variables as a basis for organizational analysis, and which endorse the view that there are no universally valid rules of organization and management' (Emmanuel et al. 1990, p. 48).

Contingency theory as opposed to other theories that influenced MA is not universalistic in approach, seeking the one best organisational solution. Rather it advocates particular forms as best suited to particular environmental conditions. One important contribution of contingency theory and behavioural theories in general is providing insight into how MA techniques already in existence work for and within organisations, thereby refining them to enhance control and decision-making. Another important contribution is the understanding that MA models work in different ways in different situations if at all. Behavioural research has shown that the economic models which have been advocated may not work as expected when applied in particular situations (Drury, 1996, p. 854) and the impact such differences could have on overall organizational effectiveness (Otley, 1984, p. 128).

The two most researched contingent variables, which emerged from empirical work in the early days were: environment (Spicer & Ballew, 1983, p.75; Scapens, 1984, p. 57; Ashton et al., 1995, p. 6; Anderson & Lanen, 1999, p. 381) and technology (Spicer & Ballew, 1983, p. 75; Scapens, 1984, p. 57; Ashton et al., 1995, p. 6). The importance of those two contingent variables comes from the effect they have on organisational structure and the activity of complex organisations (Waterhouse & Tiessen, 1978, p. 66; Emmanuel et al., 1990, p. 39). But the effect of those variables was studied on broad features of organisational structure and control and their interaction with single characteristics of an organisation was largely ignored (Otley, 1995, p. 52; Bhimani, 1999, p. 416). A third variable was culture in cross-national research (Nath, 1986 as quoted by Bhimani, 1999, p. 416; Bhimani, 1999, p. 419; Chenhall, 2003, p. 152).

Views on contingency theory in MA carried differing beliefs. Bhimani (1999, p. 434) notes that contingency theory has been criticised for its universalistic and functionalist views 'which are increasingly deemed to be conceptually untenable'. Spicer & Ballew (1983, p. 76) find two main limitations of contingency theory: [1] contingency theory models tend to be *post hoc* in nature, [2] 'little explicit attention has been given to organizational effectiveness'. A further criticism is that contingency theory is seen as a framework reconciling the results of a large body of empirical evidence, but

'little underlying consensus on its theoretical foundations' (Emmanuel et al. 1990, p. 48).

3.8   Social Theory in MA

A number of theories which come under the heading of social theory [Exhibit 3.10, Main Social Theories in MA] influenced MA since the 1950s. Some researchers believe that a distinction between organisation theory and social theory seems false and arbitrary (Roberts and Scapens, 1985, p. 444). Yet discussing them separately serves in putting more emphasis on the larger societal environment with all its complexity which impacts on affecting the implementation of accounting (Gurd & Thorne, 2003, p. 24). Tinker et al. (1982, pp. 167, 170) defend the sociological approach in accounting as accounting has a socially partisan role which is as important as its technical and factual aspects.

The PB case study highlights the social environment of MA information through discussing issues such as communication channels and frameworks, and performance evaluation practices [see Section 4.7.2.2, Information on the External Environment at PB].

The keen interest for objectivity and positivism, interest in techniques and in the structuring of a normative model in MAS research as found in the classical approach, is balanced by 'a recovery of the subject without lapsing into subjectivism' (Giddens, 1995, p. 44).

3.8.1   Interactionist / Social Action Theory in MA

Interactionist/social action theory, or the action frame of reference, is a perspective characteristic of the most subjective boundary of the functionalist paradigm (Burrell & Morgan, 1979, p. 189). It is particularly concerned with interaction among people in social situations (Puxty, 1993, p. 57). It is concerned with *Verstehen* i.e. understanding and making sense of others' behaviour but not through a 'normative' or 'objective' account but rather through relating inner experience to outward actions (Burrell & Morgan, 1979, p. 83).

A perceptible difficulty in applying interactionism to MA is in the denial by interactionists of the possibility of replication (Puxty, 1993, p. 58). Interactionists also 'deny that the notion of system is a useful or even a meaningful one in social analysis' (Puxty, 1993, p. 52). Understandably, non-replicability stands in the face of theory

67

testing. This is perceived as one of the criticisms of interactionist studies for not providing 'means to move from the particular understanding of the situation to the broader social context' (Puxty, 1993, p. 73).

But interactionism can be a useful perspective in areas such as play of power and internal politics, budgets and budgetary control, a matter that has been observed by MA research through the practice of MA in organisations (Gross, 1965, p. 211; Pettigrew, 1972, p. 188; Miller, 1993, p. 126; Granlund, 2001, p. 162).

It is also useful as it looks into what work means for the individual as practiced by the Chicago theorists. It tends to focus on process as opposed to static structure as means of characterising the principal features of the world of work and everyday life. (Burrell & Morgan, 1979, pp. 194,195).

3.8.2   The Labour Process Approach in MA

The Labour process approach influenced MA in terms of power relations between labour and management and in control processes such as budgeting and standards. The labour process approach perceived owners as 'depriving workers of the technical and financial knowledge of the production process' (Drury, 1996, p. 664). The labour process approach also illustrates 'the ambiguous role which managers and supervisors play in the capitalist labour process' (Roslender, 1995, p. 72).

Historically MA has taken the perspective of management and owners which led to a management taken-for-granted perspective. Smith et al. (1988, p. 118) see it not as internal politics in work relations but as part of 'the class practices that constitute oppressive power from within capitalist work organizations', so does Roslender, (1990, p. 359):

> 'the Labour process perspective sets out from the premise that in a capitalist society work and employment, the organisation and industrial relations are all shaped and structured to serve the interests of the capitalist class'.

Consequently, traditional practice of MA, for adherents to the labour process is a means of disciplining and controlling the work force through accounting.

Whether play of power comes as a result to class struggle – which is not evident in Jordan - or an organisational situation as this differs from one country to another, a proposition put forward by Johnson (1983, p. 145) could provide a suitable framework for MA to adopt a commitment for public interest and not to an employer or client, thereby avoiding harm that could affect any of parties (employers,

employees, clients…) and society at large if and when MA practices go beyond the game spirit to a win-lose situation.

3.8.3   Structuration Theory in MA

Structuralism 'accentuate the importance of the 'system', social and linguistic as contrasted with the elements which compose it' (Giddens, 1995, p. 9), and formulates an understanding of the 'social totality' (Giddens, 1995, p. 47). Through structuralism structures within organisations are conceived as in a more explanatory role of the social action, which Giddens refers to as both enabling and constraining (Giddens, 1995, pp. 60, 69).

Giddens (1995, p. 62) wanted to make 'distinctions between structure and system (without questioning that these have to be closely connected)'. This distinction and complementing nature of structure and system which he termed "duality of structure" is at the very core of structuration theory. MA academics employed it to describe and understand that 'it is impossible…to separate the actions of knowledgeable agents from the structures which are both the medium and outcome of their actions' (Scapens & Macintosh, 1996, p. 683).

MA processes informed by structuration theory can provide meaning and understanding to issues of MA change as an area governed by the action of change agents and the structure of the system (Chenhall & Langfield-Smith, 1998, p. 381; Abernethy & Brownell, 1999, pp. 192, 199; Burns & Scapens, 2000, p. 11; Norris, 2002, pp. 233, 234).

The data collected from the PB case study and the survey shows the explanatory powers of structuration theory applied to MAS as a social and linguistic system, in addition to explaining the duality of both the actions of users and influencers of MAS and the operation and design of MAS employed by the banks.

3.8.4   Critical Management Theory

'The move to critical management theory can in some part (be) understood as a logical progression from management accounting's earlier interests in behavioural accounting and organisational analysis' (Ashton et al., 1995, p. 65). Roslender (1995, p. 65) explains the objective of critical management theory as being:

> 'to contribute to the development of an improved or enhanced form of management accounting one which is more balanced in emphasis and insightful in nature, critical

management theory breaks with the economic underpinnings, positivism using a broad range of social scientific perspectives'.

Critical theory's contribution to MA is in its commitment to change and in explaining hidden meanings, historical and social to reveal forces which give rise to change (Roslender, 1995, pp. 75-76). As critical theory in MA views organisations in their historical and social context, these ideas influenced the way MA academics sought to understand organisational change by adding the influence of an organisation history to its social context (Burns & Scapens, 2000, p. 12). The interaction of the two is reflected in how change can be understood and expected in organisations and their systems.

PART III

A LITERATURE REVIEW OF MANAGEMENT ACCOUNTING RESEARCH (MAR)

MAR has been influenced by a number of ontological perspectives such as economic and behavioural theories and by a whole range of epistemological approaches from the strictly positivist to a phenomenological perspective. The differing directions of MAR reflect broadly the evolution of various social variables encompassing philosophical, political, economic, and technological evolution that has accompanied the development of MA practices.

This review is not exhaustive but is meant to show directions in MAR. There are points of omission and under-representation of some, but it is the broadness, patterns, and directions that are aimed at. MAR that influenced this research is given more attention and comment as to how it relates to the research.

The review follows a historical framework divided into decades up the 1990s. Naturally MAR did not follow a clear-cut pattern as the framework might suggest, there were inevitably overlaps as well as continuations. The framework is chosen as an indication of the obvious thrust in each decade.

3.9   MAR up to the 1950s

Informed by economic theories, MAR in its earlier periods attempted to provide models and techniques to programme decision-making and control processes (Scapens & Bromwich, 2001, p. 246). 'It was assumed that the objective of management decision-making is to maximize the wealth of shareholders and that

there is little uncertainty about either the decision alternatives or the decision outcomes' (Ashton et al., 1995, p. 6).

Flowing from this rationale, models were developed to simulate decision-making in organisations (Otley, 1984, p. 162; Drury, 1996, p. 852; Scapens & Bromwich, 2001, p. 246). Otley (1984) describes it as:

> 'management decision-making became the focus of research for academic scholars in business schools. Led by advances in microeconomic theory and by the emerging discipline of operations research, an impressive battery of analytic tools was applied to a broader array of management decisions. Of particular interest to management accountants were advances in capital budgeting, product mix and product profitability analysis, transfer pricing, cost control, and divisional control and evaluation'.

Other areas of research during this period were: the financial evaluation of investment proposals, consideration of costs and cost determination. In all of these areas research has had some direct impact on practice, and has influenced more general views of the possibilities for practice and the means for their appraisal that MAR in later periods introduced.

Economic models portrayed decision-makers as rationally seeking to maximise their benefits and assumed that equilibrium prevailed. Those assumptions ignored uncertainty, organisational structure and imperfect information until the third quarter of the twentieth century, and ignored as well the bounded rationality of decision-makers (Luft & Shields, 2002, p. 797). Furthermore, models developed based on mathematical models for decision-making purposes were 'very complex and failed to recognize that information is a costly resource' (Drury, 1996, p. 853).

Economic theorists in MAR attempted to ignore internal organisational control problems, regarding the firm as essentially a single economic actor (Ashton et al., 1995, p. 5). Little attention was given by early MAR to the importance of highly-diversified and, at times unpredictable influences of the human element on the adoption, success and usefulness of the models.

Through the initial work of Argyris (1952) on budget participation, accounting researchers adopted the human relations approach assessing the effects of budgetary participation (Covaleski et al., 1996, p. 23). The human relations tradition was the intellectual basis for the classic work of Argyris (1952) who found that budgetary participation tends to foster fuller control over budgetees [see Exhibit 3.11, Table of Main MAR up to 1999].

A second influence on MA literature during this period was the theory of scientific management with its tenets of rationality, maximisation, accurate measurements, and

71

Exhibit 3.11
Table of Main MAR Up to 1999

Time period	MAR Topic	Theory	Reference
Before 1950s	Break-even, make or buy, annuity, cost calculations	Neo-classical theory	Singer, 1961
	Capital budgeting, product mix, product profitability analysis, transfer pricing, cost control, divisional control and evaluation	Microeconomics	Otley, 1984
	Cost determination	Microeconomics	Ashton, Hopper & Scapens 1995
1960s	Control	Behavioural theory/ psychological perspectives	Birnberg & Nath, 1967
1970s	Markets and hierarchies model	Information economics	Tiessen & Waterhouse, 1983
	Budgeting	Organisation theory	Otley, 1984
	Influence of information on individual behaviour and ability to process information	Human information processing	Puxty, 1993

Exhibit 3.11 (continued)

	MAR Topic	Theory	Reference
1970s	Input and effect of information in MAS	Behavioural theories	Lord, 1989
	Interpersonal effects on budgets within organizations	Behavioural theories/ psychological approach	Waterhouse & Tiessen, 1978
	Decision models incorporating uncertainty	Interactionist theory	Cooper, 1983
	Design and operation of management information and control systems	Interactionst theory	Roslender, 1990
	Examined relations among environment, culture, technology, size management style, and organisational structure	Contingency theory	Spicer & Ballew, 1983; Anderson & Lanen, 1999, Scapens, 1984, Ashton, Hopper & Scapens, 1995; Otley, 1984, Tiessen & Waterhouse, 1983
	Design of information and control systems	Contingency theory	Covaleski et al., 1996
1980s	Effect of MA practices on people, significance of human and social processes	Social theories	Hopwood & Bromwich, 1984
	Significance of information in organisations, standard costing, budgets	Foucauldian Theory	Covaleski et al., 1996; Roslender, 1990

71 B

Exhibit 3.11 (continued)

Period	MAR Topic	Theory	Reference
	Participative budgeting	Agency theory	Baiman, 1982; Brownell & McInnes, 1986
	Conflict, power, and exposing interests within organisations	Critical theory	Roslender, 1990
	Social implications of budgeting, budgetary control, performance evaluation, and setting standards	Labour theory	Hopper & Armstrong, 1991
	Organisational effectiveness	Systems theories	Scott, 1977; Quinn & Cameron, 1983
1990s	Process of change in MA	Institutional economics	Burns & Scapens, 2000
	Target costing, ABC, JIT, quality management, economic decision-making	Economic theory	Shields & Shaffir, 1997; Scapens & Bromwich, 2001
	Gap between MA theory and practice budgetary participation and control, performance evaluation, information and control systems,	Behavioural theories, social theories	Scapens & Bromwich, 2001; Hopwood, 2002; Shields, 1997
	MCS, cost accounting, cost management, cost drivers	Economic theory	Shield, 1997

the view that design and organisational issues can be solved using mathematical formulae on paper, with little mention - if any - of the human side of organisation. MAR in accounting systems focused on the technical issues (Smith et al., 1988, p. 96), as can be sensed from Kircher's (1961, p. 45) discussion of accountants' place:

> 'Accountants cannot avoid the need for more training in mathematics and in the use of electronic and mechanical equipment'.

Nevertheless, Kircher (1961, p. 49) acknowledges that accounting should be understood in terms of reference to its larger framework.

During the period prior to 1960 other theoretical influences affected MAR. Functionalist perspectives as precursors to contingency theory were starting to be found (Covaleski et al., 1996, p. 22) much earlier than the 1970s when MAR was significantly influenced by contingency theory.

In spite of the significant influence which economic theories had on MAR in this period, Kircher (1961, p. 44) believes that:

> 'it is possible to take the position that there is as yet no "literature" in the field of the theory of management accounting. Articles are devoted mostly to practices that have been found effective, or those that the author believes would be effective, rather than fundamental to theory'.

The same theme of lack of a theory in MA was and still is a centre of debate (Scapens, 1984, p. 20; Otley, 1984, p. 98; Kaplan, 1986, p. 441; Roslender, 1990, p. 354; Zimmerman, 2001, p. 412 to mention just some).

3.10   MAR in the 1960s

With extensive MAR having been undertaken in the restricted circles of economic decision models, MAR was regarded in the early 1960s as: exhausted. Scapens (1984, p. 18) sheds light on the state of MAR in the 1960s and on how it was perceived:

> 'In the early years of the 1970s when this writer became an academic researcher, there was a widely held view that research in financial accounting was potentially 'more exciting' than management accounting research. It was suggested on several occasions that management accounting research was less rewarding because most of the interesting questions had already been answered (in the 1960s)'.

Obviously, MAR - as can be seen from the following sections - evolved tremendously through the influence of behavioural and social theories and an ever-increasing number of interesting questions in MAR were open to investigation.

In the 1960s MAR was still adopting an economic perspective and focused on a rigorous mathematical analysis of MA problems. Abbot (1988 as quoted by Covaleski et al., 1996, p. 11) gives an explanation of why MA drew on economic theories during this period:

'professions seek to legitimise themselves to society by attaching their expertise to the widely held values of rationality, efficiency and science, and that a key characteristic lies in the use of power both externally to preserve an abstract system of knowledge and, more importantly, internally in terms of hierarchical stratification and differentiation'.

The microeconomics perspective adopted in MAR during this period was to be criticised later in MAR as being narrow in focus (Otley, 1984, p. 98; Scapens, 1984, p. 41; Bromwich & Bhimani, 1989, p. 91; Drury, 1996, p. 661; Covaleski et al., 1996, p. 22 to mention some).

By the mid-1960s, the influence of behavioural dimensions in MAR were clearly observed in areas such as the input and effect of information in MAS (Lord, 1989, p. 127). The founding of the *Journal of Accounting Research* in 1963 was also a significant step in supporting the growth in behavioural accounting research (Lord, 1989, p. 128).

The study of budgetary control systems provided an early focus for MAR. Initially universal findings were sought that would suggest the 'one best way' of operating budgetary control system (Otley, 1984, p. 125). However, there were little efforts put into a clear understanding of the communication processes involved, budgetary and standards setting, and goal congruence (Birnberg & Nath, 1967, pp. 468-471).

In control, a number of approaches within behavioural theory were researched, although mainly focusing on an individual psychological orientation such as aspiration levels, stimulus–response, conditioning, and cognitive dissonance (Birnberg & Nath, 1967, p. 476),

Lord (1989, p. 126) notes that long before 'the term behavioural accounting research (BAR) was in vogue, accountants indicated an interest in the behavioural aspects of accounting as early as 1920'. The sociological approach [Exhibit 3.9, Main Behavioural Theories in MA] developed during the 1960s reflected itself in "structural" approaches to organisational studies (Covaleski et al., 1996, p. 3). Such an approach neglects the view of an organisation and systems within organisations as an entity interacting with its environment influencing and being influenced by it [Exhibit 3.11, Table of Main MAR up to 1999].

3.10.1   MAR Methods up to the 1960s

MAR methods used during this period reflect the economic theory thinking and scientific management approach adopted in MAR. MAR used methods that sought

illusions of objectivity and accuracy in field and laboratory methods that were believed to exist at the time and researchers needed just to find ways to identify them. Laboratory experiments widely used by MA researchers used student subjects which raises questions as 'to the acceptability of the study results' (Birnberg & Nath, 1967, p. 472). Prior to the early-1960s, field studies comprised 'less than 5 percent of published research' (Birnberg & Nath, 1967, p. 472).

MAR in trying to apply natural science rationale to complex situations of decision-making in organisations ignores the influence of the complex internal and external environments decision-makers continuously face [see discussion of those issues in Section 4.7.2.2, Information on the External Environment at PB; Section 4.10.3, Internal Politics at PB; and Section 5.9.2, Information on the Internal and External Environments of JCB].

3.11   MAR in the 1970s

The 1970s was a decade quite different from previous ones. A number of new theories influenced MAR in addition to economic theories, which were used in a more complex way in model building than in previous periods. Two theories, organisation theory and contingency theory, had a most profound effect on MAR and still have to this date, and much of the content of current MA textbooks is derived from MAR in the 1970s as well the 1960s (Drury, 1996, p. 852).

In the 1970s the move was towards the organisational and social roles of accounting compared to the earlier MAR which was influenced by psychological perspectives (Burchell et al., 1980, p. 23; Lord, 1989, p. 128; Jaggi & Mensah, 1995, p. 17). Burchell et al. (1980, p. 22) explain the significance and relevance of a sociological approach to studying accounting:

> 'once implemented an accounting becomes an organizational and social phenomenon, there to be used for a variety of ends by a range of actors in an organization'.

During this period behavioural research was fragmentary, as researchers tried to explain the possible effects which existing MA practices could have on employees and processes and produced little evidence for explaining the behaviour of individuals in MAS nor did quantitatively-inclined researchers (Scapens , 1984, p. 56).

The research in looking at the role of MAS in enhancing OE discusses behavioural issues implicated in the design, implementation, and operation of MAS such as participation in the design of MAS and MAS reports, flow of information, internal

74

politics, and the use of performance evaluation in motivation [see for example, Section 4.12.8, Participation in MAS Reports Design at PB; Section 4.10.3, Internal Politics at PB; Section 5.12.1.9, Principles of Feedback and Feedforward Control in JCB; and Section 5.12.1.2, Psychology and Problems of Users in JCB].

Otley (1984, p. 97) explains that most accounting researchers who used behavioural approaches at the time had little training in the social sciences outside of economics, and 'tended to select seemingly appropriate concepts, theories and methodologies from social science disciplines on a purely pragmatic basis. The result has been that published work in behavioural accounting has been fragmentary and disjoined and, on occasion, severely criticized by social scientists'.

3.11.1 Information Economics Approach in MAR

An information economics approach emerged in the 1970s [Exhibit 3.8, Main Economic Theories in MA], which added to the MA literature and extended models developed in the 1960s to incorporate uncertainty - but without looking into its source, and the cost of collecting and providing information (Drury, 1996, p. 853; Cooper, 1983, p. 275). Nowadays, environmental uncertainty is a major factor affecting the managerial functions of planning, decision-making, and control as well as the design of MAS [see discussion in Section 4.8, External Environment Factors Affecting Ability of Managers to Achieve Goals at PB; and Section 5.9.2, Information on the Internal and External Environments of JCB].

The development of the information economics model was part of research 'involving the comparison of the alternative accounting methods and the evaluation of simple-versus-complex models' (Scapens, 1984, p. 49). However, during this period economics-based MAR 'has become less normative and more descriptive in an attempt more realistically to model and interpret managerial behaviour and the role of control systems' (Ashton et al., 1995, p. 7).

Consequently, new decision models emerged aiming at adding more complexity to earlier models such as the markets and hierarchies framework of Tiessen & Waterhouse (1983, pp. 258-259). This framework realised the real situation faced by organisations as being much more complex and multi-faceted. The significance of those models was the acknowledgement of the relevance of bounded rationality paired with environmental complexity/uncertainty both within and outside organisations.

'The test of a 'good' normative theory has come to include its power in explaining existing practice' (Scapens, 1984, p. 55).

3.11.2 Human Information Processing (HIP) Theory in MAR

HIP was beginning to represent a significant portion of the behavioural accounting research published at the time, as part of research on the effect of accounting information in a managerial environment (Lord, 1989, p. 135; Puxty, 1993, p. 9).

Most of the research in HIP had concentrated on the influence of available information upon an individual's behaviour and ability to process information to make decisions (Driver & Mock, 1975, p.493; Lord, 1989, p. 138; Puxty, 1993, p. 9). Understandably this ability to process information influences the design of MAS and MAS reports [see discussion in Section 4.11, The Design of MAS at PB; and Section 4.12, Characteristics and Design of MAS Reports at PB].

HIP theories contributed to MAS, but it became clear that generalisation on the ways in which people process information is problematic. At best HIP offered a differential assumption that categories of people with similar thought processes can be identified (Driver & Mock, 1975, p. 494) [see discussion in Section 5.12.1.2, Psychology and Problems of Users in JCB; and Section 4.11.1.6, Effects of Psychology of Users on MAS Design at PB].

3.11.3 Organisation Theory in MAR

The MAR interest in explaining accounting systems' performance influenced by behavioural and organizational factors dates back to the 1950s and 1960s but it was only in the 1970s that a significant amount of work was performed (Otley, 1984, p. 97; Ashton et al., 1995, p. 6). Organization theory became most prominent in the development of contingency theories of MA, and in research concerned with applying systems theory (Otley, 1984, p. 124; Covaleski et al., 1996, p. 2).

Hopwood (1983, P. 293) describes the contribution of MAR informed by organisation theory as providing 'a basis for appreciating the practitioners' worries' but that:

> 'the insights that it provides reside in the realm of experience, only rarely being set aside the abstract and highly generalised claims that grace the manuals of technical accounting practice' (Hopwood, 1983, p. 291).

In an evaluation of the use of organisation theory in MAR by the early 1980s, a similar opinion to that of Hopwood's (1983, p. 3), Otley (1984, p. 129) finds that it brought 'an impressively wide range of concepts to bear on the issues of management

and 'organizational control' but that it was not complemented by a similar amount of empirical work.

The 1970s showed a more systematic study of the organizational aspects of accounting control (Otley, 1984, p. 97; Waterhouse & Tiessen, 1978, p. 65) focusing in MAR on budgeting at an organizational level of analysis, in addition to a second behavioural approach to budgeting systems, which focused 'on the psychological or interpersonal effects of budgets within organizations' (Waterhouse & Tiessen, 1978, p. 66).

One topic related to budgetary systems that attracted research up to the present day is budgetary participation (Brownell, 1981; Brownell & McInnes, 1986;). Brownell & Dunk (1991, p. 703) note that the continuing stream of research devoted to budgetary participation constitutes, in their view, 'the only organized critical mass of empirical work in MA at present'.

In addition to budgeting, modern organisation theory influenced MAR in areas such as performance measurement, planning and internal resource allocation, issues directly relevant to MA (Sathe, 1978, p. 90). As important a contribution as that is, organisation theory did not evaluate decision-making processes and managerial performance, as MAR tended to draw upon organization theory eclectically (Otley, 1984, p.137).

MAR, however, influenced by organisation theory reflected characteristics similar to neo-classical accounting [see discussion in Section 3.6.1, The Influence of Economic Theory on MA]. The research methods used in organizational studies were those of the natural sciences. Much of the research was concerned with testing *a priori* hypotheses. The exploratory studies within organisation theory generated little theory and are difficult to compare with other studies because 'of the high reliance placed on subjective interpretations of statistically generated dimensions' (Otley, 1984, p. 137).

The majority of research in organization theory and MA corresponded to the regulation dimension. MAR emphasised 'stability, integration, co-ordination and consensus within societies and organizations' (Cooper, 1983, p. 272). Within that perspective organisations were viewed as ordered entities where 'issues of power and domination are marginal'. Cooper (1983, p. 272) sees this as perceiving MA as a 'technical device which is inevitable in a movement towards organizational efficiency'.

77

However, this position does not take into consideration the fact that what might be functional for some members of an organisation might not be for others. Stability, integration, and co-ordination, and information systems in organisations such as MAS undergo a continuous process of adaptation towards stability, integration and co-ordination not solely in response to technical developments but also as social adaptation process. Organisation and systems within organisations face two important phenomena: dynamic and complex internal and external environments, and uncertainty, and both phenomena have social and technical dimensions.

The advantages of the introduction of organisational research to MAR was in providing a better understanding of the meanings which are given to accounting in particular settings 'emphasising not the interpretation of an accounting given but the more active ways in which a particular account can shape mould and even play a role in constructing the setting of which it forms a part' (Hopwood, 1983, p. 298) [see discussion in Section 4.10, Factors Hindering Diffusion of Information at PB as an example].

However, Cooper (1983, p. 274) notes, in MAR in the 1970s the absence of consideration of 'how accounting systems or organizations might change', and the lack of interest in historical developments of MA practices to understand the logics of existing practices (Cooper,1983, p. 283).

3.11.4 Contingency Theory Research

Contingency theory's contribution to MAR was important to issues of co-ordination and control and made important contributions to understanding issues in the design of information and control systems, budgeting and strategic planning (Covaleski et al., 1996, p. 2). It avoided earlier emphasis of technical facets in organisational and sociological models (Covaleski et al., 1996, p. 9).

MAR informed by contingency theory examined relations between a variety of 'endogenous and exogenous contextual factors and management accounting practices' (Anderson & Lanen, 1999, p. 381) [Exhibit 4.14, Factors Affecting Design of MAS]. Contingent factors in MAR are: competition (Anderson & Lanen, 1999,p. 382) which is part of the external environment, environmental uncertainty (Spicer & Ballew, 1983, p. 75; Scapens, 1984, p. 57; Ashton, Hopper & Scapens, 1995, p. 6; Covaleski et al., 1996, p. 3; Anderson & Lanen, 1999, p. 381), national culture (Anderson & Lanen, 1999, p. 381; Bhimani, 1999, p. 417; Chenhall, 2003, p. 152), technology

(Spicer & Ballew, 1983, p. 75; Scapens, 1984, p. 57; Ashton et al., 1995, p. 6), size (Scapens, 1984, p. 57; Ashton et al., 1995, p. 6; Covaleski et al., 1996, p. 3), management style (Otley, 1980, p. 413; Ashton et al., 1995, p. 6), and organisational structure (Otley, 1980, p. 413; Tiessen & Waterhouse, 1983, p. 252).

Factors such as technology and environment were hypothesized to influence dimensions of organisational structure, thereby adding insights to the various contingent contextual factors (Scapens, 1984, p. 57; Spicer & Ballew, 1983, p. 75; Covaleski et al., 1996, p. 4). Planning (Anderson & Lanen, 1999, p. 381), control and performance appraisal (Tiessen & Waterhouse, 1983, p. 252; Anderson & Lanen, 1999, p. 381; Covaleski et al., 1996, p. 4) were the subjects most researched within contingency research (Anderson & Lanen, 1999, p. 381; Bhimani, 1999, p. 417).

Notwithstanding the above, the contingency variables identified and researched were ill-defined. The dimensions of organisational structure (and process) considered differed from study to study, the link with OE was largely unproven (Otley, 1980, p. 419), and the relationship between organizational structures and MAS variables was not adequately studied (Tiessen & Waterhouse, 1983, p. 251) [see discussion in Section 4.11.1.4, Effects of Organisational Structure on MAS Design at PB; Section 5.12.1.4, Organisational Structure in JCB].

Some researchers remain hesitant about the significance of contingency theory in MA, and in spite of MAR being influenced by contingency theory, 'insufficient, empirical evidence has emerged to indicate that a contingency-theory approach can explain current management accounting practice' (Drury, 1996, p. 854).

3.11.5 Interactionist/Social Action Theory in MAR

Literature on interactionist theory started to attract attention during the 1970s, and provided a means whereby the design of MAS can be understood in a much broader and insightful way (Roslender, 1990, p. 355). Interactionism's concern for the power and politics of rationality add a further perspective to understanding accounting information (Covaleski et al., 1996, p. 7). Accounting information accordingly, is never a neutral independent instrument characterised by representational faithfulness (Covaleski et al., 1996, p. 11) and accuracy [see discussion in Section 4.11, Characteristics and Design of MAS at PB].

However, MAR, drawing on interactionist theory is criticised for being uncritical and providing 'rich descriptions often accompanied by equally bland analyses'

(Roslender, 1990, p. 357). [See more discussion in Section 3.8.1, Interactionist/Social Action Theory in MA;]

3.11.6 MAR Methods in the 1970s

Methods used in the period were biased towards experiments (Lord, 1989, p. 132) and 'arm's-length questionnaire-based techniques from which reliable results are expected to emerge by statistical analysis' (Otley, 1980, p. 419). Notwithstanding the above, with the popularity in MAR of behavioural theories and the fact that MA researchers did not have enough training in the social sciences, a need arose for a 'shift in academic training, combined with a dedicated effort by interested accounting faculty to enhance their backgrounds in these areas' (Lord, 1989, p. 133). This led to significant improvement in the research methods in behavioural accounting research.

Otley (1984, p. 144) observing the methods used up to the early-1980s, encouraged the use of inductively-generated theories and qualitative methods as a neglected approach in MAR. Atkinson & Shaffir (1989, p. 42), Lord (1983, p. 59), and Kaplan (1986, pp. 431-432) also make a similar observation on qualitative research methods used in that period:

> 'field research in MA invariably focuses on how people, either acting individually or in groups, react either to MA information, such as cost or productivity data, or MAS, such as control or planning systems' (Atkinson & Shaffir 1989, p. 42).

MAR driven by the desire of academics to use "rigorous" research methods resulted in models or data not being representative of the phenomena in an organisational setting because of a bias towards internal validity (Otley, 1984, p. 102; Kaplan, 1986, p. 441). 'More generally there has been a retreat from field studies into the more predictable environment of laboratory experiments, albeit well-designed experiments. The net result is that, although the case for broader-based studies of the operation of management accounting systems has been convincingly argued, few researchers have been prepared to undertake such studies' (Otley, 1984, p. 102).

Conclusions from laboratory experiments had limited external validity to actual organisational settings and the positive behavioural research particularly conducted in the USA and the extent the findings applied to other cultural environments is open to discussion (Jaggi & Mensah, 1995, p. 22). This later became a centre of debate among MA academics on the divergence of MAR from MA practice in the early 1980s [see discussion in Section 3.2, MA Practitioners and MA Academics: Diverging Agendas].

Up to the 1980s there was still a call for more qualitative MAR 'processual, observational, interpretive and phenomological work' (Earl, 1983, p. 59), and for field experimentation, action research away from testing *a priori* theories and personal interpretation of statistically-generated dimensions and laboratory experiments (Otley, 1984, p. 137). Kaplan (1986, pp. 431-432) describes the methods used in MAR during the 1970s and early 1980s as:

> 'classification of MAR shows seven out of eight MAR papers have neither data from actual organizations nor are tested in actual organizations...less than 5% of the papers are actual field studies and these tend to be concentrated in two areas: budgeting... and miscellaneous performance evaluation'.

In spite of the diversity of MAR in this period, Cooper (1983, p. 270) notes that the majority of the research took the perspective of 'tidying any muddle' and emphasised the role of MA practices in bringing orderliness to organisational activities. A further issue Cooper notes about MAR in the 1970s showed it centred more on description, actuality and current realities and not transcending characteristics of the subjects of the research undertaken (Cooper, 1983, p. 276). The fact prompted Cooper (1983, p. 278) to encourage researchers to reflect more on future MAR and on critical theory.

3.12   MAR in the 1980s

MAR, drawing on organisational and sociological traditions in the period offered a relatively non-technical understanding of MA:

> 'managerial accounting practices are not techniques that can be abstracted from the general milieu of social life but rather one strand in the complex weave that makes up the social fabric'(Covaleski et al., 1996, p. 22).

There was also a call for more inter-disciplinary work with research teams having members drawn from different disciplinary backgrounds, whilst appreciating the problems as well as the potential that may arise (Otley, 1984, p. 147). Even so, Hopwood (1983, p. 302) and Choudhury (1986, p. 28) find that accounting research up to then has adopted an 'all too parochial perspective', and observe that MAR in the first half of the 1980s was conducted in an isolated, piecemeal fashion and useful ideas were not followed through.

As was observed in studies on actual organisations in previous periods, Otley (1984, p. 148) comments on a paucity of theory development based on real-world observation, whether formally or informally undertaken, and the pressing need for more theoretical work that is grounded in real-world observation.

The 1980s was also a period for evaluation and taking stock by MA researchers who 'became increasingly critical of the existing state of MA knowledge' (Ashton et al.,1995, p. 7). MA academics started to realise the gulf between MAR and MA practice. Hopwood & Bromwich (1984, p. 3) describe how MAR started slowly:

> 'to be interested in why practice was the way it is, the factors that do induce it to change and the consequences that accounting actually has. Practice, in other words, is coming to be seen in more appreciative terms. Instead of seeking only to reform it in the name of more general notions of what its concerns should be, researchers also are starting to investigate what the pragmatic craft of accounting might actually be about'.

The divergence of MAR and MA practice became a centre of a debate during this period (Hopwood & Bromwich, 1984, p.4; Scapens, 1984, p. 36; McCosh & Howell, 1983, p. 280; Hopwood, 1983, p. 280; Choudhury, 1986, p. 21; Lewin & Minton, 1986, p. 526; Johnson & Kaplan, 1987, p. 14; Horngren, 1989, p. 22; Ashton et al., 1995, p. 7 to mention some). With hindsight it was a turning point in the history of MAR that could be described as a crisis of identity [see Section 3.2, MA Practitioners and MA Academics: Diverging Agendas]. MAR after this became wary of using methods unquestionably used up till the end of the 1970s when models and techniques were presented as definite solutions to organisational problems. It was a period of reflection that slowed down MAR while academics were reassessing past MAR and its future avenues. It still left its finger prints on current MAR at the beginning of the twenty first century where researchers are much more attentive and careful in drawing conclusions as can be seen in Zimmerman's (2002) sharp comments on current MAR [see more in Section 3.13, MAR in The 1990s].

3.12.1 Behavioural Theories in MAR in the 1980s

Behavioural theories [Exhibit 3.9 Main Behavioural Theories in MA] still continued to influence MAR by the 1980s. They had developed from 'the initial work by Argyris [1952]...into a more mature and accepted accounting research area' (Lord, 1989, p. 139).

Drawing on behavioural theories, MAR looked into the impact members of organisations and accounting systems have on each other. MAR:

> 'started to become more interested in the consequences that accounting actually has as well as those that it should have. Increasingly recognizing that accounting practice can only achieve its potential through mobilizing other human and social processes in the organization, many now realize that accounting cannot be seen in purely technical terms' (Hopwood & Bromwich, 1984, p. 3).

The PB case study and the survey of JCB show the significance and impact of human and social processes on the design and operation of MAS. They also show how the more technical aspects of MAS such as budgets, and variance analysis can be influenced and shaped by human and social processes [see more in Chapter 4 and Chapter 5].

3.12.2 Social Theories in MAR in the 1980s

In the second half of the 1980s more papers bearing the influence of sociology were published, and a wider base of research was undertaken. The sociological perspective employed were in fact a series of sub-perspectives each of which has its own strengths and weaknesses (Roslender, 1990, p. 352,353). One important contribution of social theory to MAR is in providing a framework for MAR as an interaction between action and structure. The effect of organisational structure on systems and processes was not new to MAR nor the interaction between individuals and structure as it was found in behavioural research. However, the prominence of structure given by social theory is not as a contingent variable but as a basic part of organisational life:

> 'structuration theory provides a potentially valuable framework for management accounting research. We argued that Giddens' analysis of the duality of structure allows us to conceptualise management accounting systems as modalities of structuration which mediate between action and structure' (Scapens & Mackintosh 1996, p. 677).

What Scapens & Mackintosh (1996) are clearly describing is the way in which MAS as a structure, and compilers, movers and users of MAS as actors interact with the system/structure influencing it and, at the same time, how MAS as a structure influences the users' and compilers' actions either restricting or enhancing their actions [see discussion in Section 4.10.4, Centralisation of Information at PB; 4.10.1, Communication Channels at PB; 4.13.1, A Description of the IT System Used at PB; Section 5.10.1.1, Centralisation of Information in JCB; 5.11.3, Channels of Communication in JCB; and Section 5.14, The Use of Computers in MAS in JCB].

3.12.3 MAR Influenced by Critical Theory in the 1980s

During the 1980s, MAR was influenced by critical perspectives and explored the roles of accounting practices in society. The critical perspectives deployed different theoretical approaches and methodologies and addressed a wide range of topics and issues (Covaleski et al., 1996, p. 12).

Accounting practices were explained in the light of issues of conflict, domination and power in organisations, in terms of class conflict, the hegemony of elites, and the power of experts and professional in an attempt to understand those practices (Covaleski et al., 1996, p. 13). Critical theory aimed to 'expose the interests behind knowledge and indeed the knowledge which exists behind interests' (Roslender, 1990, p. 361) [see discussion in Section 4.15.5, The Goal-Setting Process at PB; Section 4.10.3, Internal Politics at PB; and Section 5.9.1, Goal-Setting in JCB].

Covaleski et al. (1996, p. 13) remark that critical theory avoided 'a consensus view of society that is the hallmark of both the functional and interpretive perspectives'. Covaleski's et al. (1996) comment should not be viewed as belittling in any way the contribution of critical theory to MAR. But that MAR informed by critical theory did not reach a certain level of consensus for carrying further theory development in areas of MA. The explanations and critical insights of organisational life offered by critical theory contributed to such development in covering areas left uncovered by other perspectives. Nevertheless, there is a need to incorporate contextual characteristics in theory development [see for example the significance of context in the discussion in Section 4.23.2, Committees at PB; Section 4.18, Role of MAS in Providing Information on Performance Evaluation at PB; and Section 5.17.1.5, Committees in JCB; and 5.20.2, Performance Evaluation in JCB].

3.12.4   Labour Process Theory in MAR in the 1980s

MAR influenced by labour process perspectives tried to explain the role of MA in organisations through explaining the social relations of production, budgeting, budgetary control, performance evaluation and setting standards (Covaleski et al., 1996, p. 14). Hopper & Armstrong (1991, as quoted by Covaleski et al., 1996, p. 15) argue that 'some of the accounting and cost information was not used for making the production process more efficient but rather used to intensify the extraction of labor from labor force'.

MA information though can be perceived not only as extracting labour from labour force but it could be for other motives such as influencing behaviour as in MA change, or furthering managements' interest or the post rationalising of action.

In the PB case study the use of MA information for other than efficiency reasons in budgets and budgetary control was discussed [see Section 4.17, Conflict of Interest in Setting Goals and the Game of Budget Control at PB; Section 5.19, Conflict of

Interest in Setting Goals and the Game of Budget Control at PB; and Section 5.20.1, Budgetary Control in JCB].

3.12.5 Foucauldian Social Theory in MAR in the 1980s

MAR adopting a Foucauldian perspective explained the role of MA in organisations from a different angle than that of other sociological theories [Exhibit 3.10, Main Social Theories in MA]. It added a new perspective on designing and implementing MAS as a critical way of looking at what passes for knowledge within organisations and how that concept is imposed on members of an organisation (Roslender, 1990, p. 363) [see more on this in the discussion in Section 4.9, Diffusion of Information at PB; and 5.10, Diffusion of Information in JCB; and Section 5.20.1, Budgetary Control in JCB].

Miller & O'Leary (1994 as quoted by Covaleski et al., 1996, p. 17) argue that accounting practices such as standard costing and budgeting should be understood "as a technology of government". Aspects of what Foucauldian theory discusses is relevant to what can be observed in budgets in PB which served as a planning, controlling, and a punitive instrument for branch managers. Whereby achieving budgets is rewarded and those who fail to do so were penalised [see more in Section 4.17, Conflict of Interest in Setting Goals and the Game of Budget Control].

With the move of MAR away from the influence of economic theories, MA and MAS came more and more to be regarded as a social practice examining the intricacies and richness in social relations rather than a technique (Covaleski et al. 1996, p. 18).

3.12.6 Agency Theory in MAR in the 1980s

Some MAR in the 1980s adopted an agency theory framework to generate additional insights into MA problems (Scapens & Bromwich, 2001, p. 246). Agency theory extended the information-economics approach and incorporated some behavioural considerations into the economic model (Drury, 1996, p. 853).

The agency model was used in MAR in areas such as the behavioural constraints imposed by the self-interest of the agent's employment contract and in the areas of information systems that will maximise the utility function of the principal (Cooper, 1983, p. 280; Scapens, 1984, p. 65). Agency theory was also used in emphasising the value of participative budgeting arising from information transmission in organisations (Baiman, 1982, p. 203). An example of such a situation is when budget

targets were set in PB. Branch managers – as agents of PB's management in their geographical areas – withheld information to further their own interest and built around their person a network of relations which they try to move around as they moved to other positions. On the other hand, management acknowledging this tried to counteract in the annual negotiating process of budgeting [see discussion in Section 4.16.1, Budgetary Control of Branches at PB].

3.12.7 Methods Used in MAR in the 1980s

Methods used in MAR in the 1980s included the use of descriptive field research, and field studies that 'focus on developing evidence that either supports or contradicts an existing theory' (Atkinson & Shaffir, 1989, p. 47) such as the works of Brownell (1981), Brownell & McInnes (1986) on budgetary participation, motivation and performance, as well as the use of fieldwork that develops a theory.

Fieldwork in the 1980s was perceived as less elegant, less scientific and more time consuming (Kaplan, 1986, p. 430). While other researchers find that a positive empirical approach as 'a wholly inadequate epistemological basis for a social science' (Tinker et al., 1982, p. 167). There were also calls for opening up to different approaches in MAR and the use of more case studies as a 'valuable and under-exploited research tool' (Tinker et al., 1982, p. 147) in addition to the use of interpretive approaches:

> 'most management accounting research has avoided the use of interpretive methods, either by deliberate choice or as a result of the use of methodologies that cannot easily accommodate it (for example, survey questionnaires). Yet the methods would seem to offer considerable insight into a number of interesting and important questions, such as why particular organizations have developed the accounting systems they currently use, and what they are used for' (Otley, 1984, p. 145).

Young (1999, p. 80) finds, almost without exception, field researchers in MA 'have adopted an overt role of objectively studying an organisation. Young explains such an approach is due to field research in MA still in its infancy (Young, 1999, p. 80; McKinnon, 1988, p. 34) and 'many of these researchers have been schooled in the logical empiricist tradition and thus, apply this world view to their field work' (Young, 1999, p. 80).

MAR informed by agency theory research used a deductive analytical approach, which required a number of restrictive assumptions so as to maintain the analytical tractability of the models (Tiessen & Waterhouse, 1983, p. 257). Chambers (1980) has commented on the development of accounting research in a wider context, in that

methodology seems to have taken precedence over substance, and it appeared easier to publish methodologically sound work having relatively little substantive interest than research that is interesting, but which may lack some methodological rigour. Quick studies using laboratory experiments and questionnaires rather than more intensive field observation methods, and focusing upon individual studies rather than on organizations were preferred (Otley, 1984, p. 122).

3.13 MAR in The 1990s

Researchers in the late 1980s saw that, for MA to evolve in new areas it had to respond to changes in the environment and in the perceived roles of MA (Bromwich & Bhimani, 1989, p. 86). A move away from conventional MA wisdom as it 'applies mainly to the stable, centralized firm of classical economics and organizational theory' (Emmanuel et al., 1990), towards incorporating social (Burchell et al., 1980, p. 21; Loft, 1986, p.167; Bromwich & Bhimani, 1989, p. 88), behavioural (Hopwood, 1989, p. 2), and more managerial approaches (Earl, 1983, p. 61).

The 1990s was an era when MAR took a more open and pluralist perspective after going through self-assessment in the 1980s and 'expanded with the introduction of new theoretical approaches and a growing use of field-based research methods' (Scapens & Bromwich, 2001, p. 246). There was a drift away from normative economic research to more varied theoretical and epistemological approaches - particularly in MAR in Europe. It was a move to incorporate descriptive approaches that seek to model the complexities of management control and the internal organisation of firms in economic, organisational and social terms (Ashton et al., 1995, p. 9).

Notwithstanding the above, economics remains a primary theoretical basis for much MAR with a traditional managerial focus grounded in an economic decision-making perspective (Scapens & Bromwich, 2001, p. 249).

In an editorial Scapens & Bromwich (2001, p. 251) note the difference in understanding between US and UK writers about what management accountants are and what they do as one could most probably say of other countries as well. Their editorial shows the research topics in *Management Accounting Research* in its first decade were wide with no particular emphasis on specific areas and went far beyond the traditional areas of cost management and management control (Scapens & Bromwich, 2001, pp. 250, 251). Nevertheless, there was a clear interest in the first

five years in the gap between theory and practice, whereas papers in the second five years tended to be more concerned with the process of change (Scapens & Bromwich, 2001, p. 247).

There was a clear change in MAR transcending the simple economic decision-making approaches that dominated MAR until the early 1980s to an appreciation of the complexities of MA (Scapens & Bromwich, 2001, p. 251).

Hopwood (2002, p. 782) reflected on the difficulties facing MAR due to the nature of MA in terms of the diverse areas it covers where each area on its own has its characteristics, and lends itself to certain theoretical approaches. This diversity of areas also explains the current use, and will continue to do so in the future, of different theoretical approaches in MAR:

> 'management accounting is neither a unitary nor a homogenous phenomenon...Costing, budgeting, planning, performance evaluation, investment appraisal and other procedures often operate in semi-autonomy of one another, capable of being linked in different ways in different organizations. Although recent enterprise-wide information systems might have imposed a greater degree of integration on them, in practice the extent of actual implementation and use can and does vary, making research even more difficult' (Hopwood, 2002, p. 782).

Philosophical underpinnings of MAR were a centre of debate in the 1990s and up to this current day:

> 'Economics-based research has its merit, but it is just one voice, and for the academic community to exist and develop a critical stance, the possibility of multiple voices is there. Though this is no doubt less visible in the North American academia, a global perspective shows that the management accounting research community *in toto* accepts a plethora of different approaches to conducting research' (Mouristen et al. 2002, as quoted in Lukka & Mouristen, 2002, p. 806).

Hopwood (2002) sees another difficulty in modern MAS stemming from 'the amazing speed' with which solutions were found to 'complex and fascinating' problems, which encourages a focus on the superficial and on the fashionable (Hopwood, 2002, p. 782). This state most likely limits producing an integrated, substantive body of knowledge (Ittner & Larcker, 2002, p. 787; Hopwood, 2002, p. 782).

The traditional focus of MAR on manufacturing industry continued to be a substantial interest in the 1990s (Rezaee, 1991, p. 31; Shields, 1997, p. 6; Helliar et al., 2002, p. 29; Chenhall, 2003, p. 144). Helliar et al. (2002, p. 29) note that 'management accounting practices in the service sector in general, or the financial services sector in particular - especially in banks - have been largely ignored'.

3.13.1 The Different European and North American Approaches to MAR in the 1990s

The debate on the appropriateness of drawing on many theoretical perspectives in MAR – as published in English – elicits many points of view with a clear polarisation between European researchers and North American researchers as is clear in Lukka & Mouristen (2002, p. 806) and Hopwood (2002, pp. 779-780).

Hopwood (2002, pp. 779-780) finds that a strong normative dimension in MAR in North American journals 'constitute a locus of power in an academic system that is characterized as much, if not more so, by careerist-oriented rather than curiosity-oriented research'. As a consequence innovation is 'thereby much more difficult and extremely risky in career terms, often constrained to the established few'.

Zimmerman's (2001, p. 422) view represent a strong view of MAR in North America in that MA studies have been purely descriptive, conducted without underlying theory and unguided by research hypotheses, with which European MAR disagree (Ittner & Larcker 2002, p. 788). Ittner & Larcker (2002, p. 788) believe that MAR in our current times are testing economic and non-economic theories about MA practice. Demski (2000, as quoted by Hopwood, 2002, p.780) encourages his North American colleagues to focus on a topic 'without reference to method, section, or interest group' so as to enhance interaction among disciplines and put accounting back in the centre of our scholarly activities.

A shortcoming of the view of the need for dominance of 'a monolithic economics-based paradigm' could threaten MAR progress (Lukka & Mouristen, 2002, p. 806) as well as losing benefits which insights from other theoretical perspectives can offer.

Noting the individuality of cultural contexts. Shields' (1997, p. 5) review of MAR published in six North American leading journals in the 1990s showed that the topics most researched were on management control systems [incentives, budgets, performance measurement...85/152 papers]. The second most researched topic but with a much lower number of studies was cost accounting [cost allocation, cost variances, activity-based costing...24/152], followed by cost management [quality, JIT, use of costs for decision-making...14/152], cost drivers [11/152] management accounting information systems [7/152] research methods and theories [6/152], capital budgeting and investment decisions [5/152]. This summary by Shields highlights the opinion that the most researched topics in North American MAR, which is a significant portion of MAR in the English language, are those that lend themselves to positivist and statistical methods.

The individuality of North American MAR as Shields (1997, pp. 6, 7, 9) notes is also reflected in the settings, theories and methodologies used. In the settings of MAR manufacturing was the most researched setting [57 studies / 152]. The small number of studies in the services, in particular in financial services, is of interest. The use of alternative research theories is supported by many MA academics as enriching MAR rather than causing it to regress (Covaleski et al., 1996, p. 19; Hopwood, 2002, p. 783; Lukka & Mouritsen, 2002, p. 806; Ittner & Larcker, 2002, p. 790; Luft & Shields, 2002, p. 797). MA is a discipline that needs examination of actual practices (Ittner & Larcker, 2002, p. 788) which reflects its complexity incorporating many areas within dynamic organisational life reflected in change in those areas and interaction among them.

Studies drawing on economic theories were the most published [75/ 152], followed by organizational behaviour theories [15/ 152], psychology [12/152], production and operations management [10/152], and sociology, [7/152]. A noticeable feature of published MAR reviewed by Shields (1997, p. 8) is that most of the articles 'use a theory to provide *ex ante* motivation or structure either to develop or test a model...few articles have developed an *ex post* theory based on induction from the empirical evidence presented'. Shield (1997, p. 8) explains this might be a result of editorial styles and preferences of the six journals he reviewed.

3.13.2 MAR Methods in the 1990s

In addition to the wide range of topics in MA there was an increase in the variety of research methods used in the 1990s. Common to all the methods was a significant change brought about by the increased emphasis upon fieldwork and descriptive research directed to understanding practice, and away from developing normative and prescriptive models. Ashton et al. (1995, p. 9) note how 'academic concern over the perceived gap between theory and practice has led to major changes in economics-based MAR and the development of other theoretical approaches'.

Methodological differences, however, remain unresolved, leading to major methodological debates amongst accounting researchers regarding how research should be conducted and the philosophical bases which underpin it (Ashton et al., 1995, p. 8; Zimmerman, 2001, p.; Ittner & Larcker, 2002, p. 789; Hopwood, 2002, p. 782; Luft & Shields, 2002, p. 797 to mention some).

Shields' (1997, p. 9) review of research methods used in North American journals in the 1990s forwards showed predominantly analytic research [49/152], followed by surveys [28/152] compared to case studies/field studies [10/152]. Shields (1997, p. 10) remarks on reasons why so few case/field study articles appear in these journals: lack of knowledge on researchers part as to how to do good studies; lack of colleagues to team with; lack of incentives to researchers due to the system currently employed by American universities; lack of access to good sites; and the American journals' editorial styles and preferences which may include reluctance to publish papers on topics, theories and research methods different to those which they currently publish.

3.14   Future Agenda for MAR

There is great scope for studies that describe how individuals behave in organisations, and how they take decisions (Otley, 1984, p. 132; Atkinson et al., 1997, p. 80; Zimmerman, 2002, p. 419; Hopwood, 2002, p. 782) taking into consideration the business contexts in question.   An example of this is a need in MAR for more empirical evidence on the factors that influence the use of MA techniques (Norris, 2002, p. 224). MAR needs to concentrate on all aspects of MA as MA has a role in planning, decision-making and control, although those functions are defined by academics in different ways (Luft & Shields, 2002, p. 796)

There is also future interest in developing and testing more theories within MA capable of explaining MA practice and predictions (Shields, 1997, p. 26; Zimmerman, 2001, p. 412; Ittner & Larcker, 2002, p. 789) and in the increased interest in strategic MA (Scapens & Bromwich, 2001, p. 251; Shields, 1997, p. 24).

Chenhall & Langfield-Smith (1998, p. 383) believe future challenges for MA and management accountants stem from the changing nature and role of MA as in the way 'performance evaluation and non-financial measures have extended the boundaries of management accounting' (Scapens & Bromwich, 2001, p. 251).

Change in MA poses a number of questions regarding: how people attend to and think about MA change, and how they interact in organisational change, who initiates MA change? Such questions help in understanding and predicting change, speed of change and the difficulties accompanying it (Shields, 1997, p. 22; Atkinson et al., 1997, p. 80; Luft & Shields, 2002, p. 800).

Increased globalisation reflected in global products and capital is affecting the nature of MA as 'managers need accounting systems to enable them to manage such diverse

organisations' (Ashton et al., 1995, p. 8). As environments change and evolve, MA is seen to follow a trend of widening involvement. management accountants are getting involved directly or indirectly in the other areas of the business such as an combining knowledge of human resource management and MA (Chenhall & Langfield–Smith, 1998, p. 383; Scapens & Bromwich, 2001, p. 251). Changes in management accountants' roles is also occurring as organisation structures (Atkinson et al., 1997, p. 80; Scapens & Bromwich, 2001, p. 251) and new organisational forms (Scapens & Bromwich, 2001, p. 251) develop. Shields (1997, p. 26) sees that the term MA 'will increasingly become too limited a concept and will be replaced by *organizational accounting,* this broader concept will enable it to incorporate more types of accounting and accountabilities in organizations, organizational subunits, and inter-organizational arrangements'.

MA researchers also are realising, with the changing nature of MA [see more on the nature of MA in Section 3.5, Defining MA], that different and more dimensions need to be considered when studying areas in MA and MAS. Researchers are realising that they need to go beyond the calculation of standards, variance analysis, or methods of investment appraisal to dimensions such as the ways in which internal and external cultures affect the adoption of cost management systems (Young & Selto, 1991, p. 285) as well as MAS.

MA researchers push to the adoption of a mixed ontological and epistemological approach to specific MAR issues needs to be still pursued in future MAR, provided that the theoretical views of human nature are clearly recognised at the outset and an attempt made to resolve them (Otley 1984, p. 145; Shields, 1997, p. 28). Using wider methods and theoretical perspectives, cross-method, cross-discipline investigations, in itself is beneficial in gaining insight from different perspectives and offers tremendous opportunities for new discoveries rather than as problems. It is also in line with pursuing more pluralist and liberal values.

3.14.1   Future Agenda for Methods in MAR

The trend towards diversity in methods and drawing on different philosophical perspectives needs to be encouraged (Atkinson et al., 1997, p. 81; Shields, 1997, p. 20; Young & Selto, 1991, p. 288) for a number of reasons:

(a) to encourage pluralism and liberalism in research methods;

(b) encouraging regionalism not only could harm scientific endeavours of MAR but could also encourage intellectual domination by a few over others;

(c) MA is a complex phenomenon and exists in complex environments and organisations, consequently future MAR needs to appreciate the value of using multiple research methods to address the same question (Atkinson et al., 1997, p. 81; Kaplan, 1986, p. 448).

PART IV   LITERATURE REVIEW of MANAGEMENT ACCOUNTING SYSTEMS (MAS)

This research deals with MAS separately as a sub-set of MA that has its specific characteristics and theoretical bases and roles. The literature review of MA in Part I of this chapter does not look into the specifics of the different components of MAS. Consequently, a more detailed literature review of MAS is pertinent looking into what are MAS and the roles of MAS in organisations as the research looks into the role of MAS in enhancing OE in JCB.

This review does not include a discussion on how literature viewed the different elements in MAS design as this is discussed in detail in Section 4.11, Characteristics and Design of MAS at PB; and Section 5.12, The Design of MAS in JCB. However, this section will look into theoretical influences on MAS design, and attempt to explain what MAS are.

3.15   The Role of MAS in Organisations

In discussing the roles of MAS in organisations, the discussion is divided into two main sections: Section 3.15.1, The Role of MAS in Planning and Decision-Making; and Section 3.15.2, The Role of MAS in Control. In discussing planning and decision-making, first, it should not be understood that they carry more weight in an organisation than control. The three managerial functions not only complement each other in enhancing OE but they can be perceived as two sides of a coin (Emmanuel et al., 1990).

The roles that are reviewed below are also discussed in various sections in Chapter 4, Case Study of PB; and Chapter 5, Survey of JCB from the perspectives of data collected.

In discussing the role of MAS in planning, decision-making and control in organisations it is worth keeping in mind what Burchell et al. (1980, p. 19) noted that the roles accounting serves are not constant but are 'created, shaped, and changed by pressures of organizational life' [see more on this in Section 3.5, Defining MA].

As is discussed in Section 3.13, MAR in The 1990s, very little research has been done into the roles of MAS in banks (Rezaee, 1991, p. 31; Peters & Waterman, 1995, p. 22; Shields, 1997, p. 6; Helliar et al., 2002, p. 29; Chenhall, 2003, p. 144). Most of the research, and that which is discussed here, are studies on manufacturing firms. Rezaee (1991, pp. 25,31) explains that previously bank accountants in American banks paid little attention to the use of MA in banks, as well as most small and medium-sized banks do not have the resources to develop a system internally. However, this approach has changed and banks are adding managerial accounting concepts and techniques to their existing reporting structure

3.15.1   The Role of MAS in Planning

MAS have a role in enhancing planning from a number of aspects by providing strategic information, in decision-making and problem-solving, communicating organisational climate, facilitating change, and collecting and diffusing information. Below is a review of each aspect separately.

3.15.1.1   Role of MAS in Providing Strategic MA Information

MAS have a role in 'supporting the strategic process, MAS should supply information that is more outward looking' (Rangone, 1997, p. 207). The same opinion is reiterated by other researchers (Kaplan & Atkinson, 1982, p. 12; Kaplan, 1984, p. 414; Otley, 1980,p. 421; Johnson & Kaplan, 1987, p. 17; Palmer, 1992, p. 181; Wilson & Chua, 1993, p. 60; Bromwich & Bhimani, 1994, p. 1; Otley, 1995,p. 54; McMann & Nanni, 1995, p. 336; Slagmulder, 1997, pp. 103-104).

Hiromoto (1991, p. 1) and Bromwich & Bhimani (1989, p. 42) describe how MAS are used and designed in Japanese firms to support corporate strategies by the way MAS are designed and implemented:

> 'to support continuous innovation, which is a new common theme of management accounting systems design, and promote strategic management and motivating employees to act strategically. Compared to past designs aimed at optimization with respect to a given set of parameters' (Hiromoto, 1991, p. 1).

In discussing strategic MA information Palmer (1992, p. 182) rightly notes that 'one might encounter difficulty in separating the "strategic" items of a MAS from those that are operational or tactical in nature'.

3.15.1.2 Role of MAS in Communicating Organisational Climate

Accounting has been implicated with the dominant economic and social distinctions (Burchell et al., 1980, p. 19), which subsequently set the organisational climate. This role is through communicating corporate goals and other internal and external information relating to the corporate culture and mission through providing and using organisational structure (Bate, 1984, p. 46) and communication structures within organisations. Consequently, MAS has a role in educating lower-level employees in terms of organisational strategies (Roberts & Scapens, 1985, p. 451; Palmer, 1992, p. 187), and communicating organisational climate (Collins, 1982, p. 107). However, inculcating certain norms and values as part of the corporate culture to achieve corporate goals might entail changing, affecting or controlling values and norms of other organisational members, which is a task of enormous complexity (Collins, 1982, p. 111).

This complexity becomes critical when a change of culture is introduced to organisational members who belong to different schools of management and sub-cultures. A situation similar to the PB case study where the general manager and the new management team had, in addition to the task of turning PB into a profitable bank, the task of changing the previous corporate culture to suit the new goals and ways of work [see more in Chapter 4, Case Study of PB].

Part of the process of influencing corporate culture was to use MAS at PB in the change process to shape the views which PB employees have of the significant, the problematic, the desirable, and the possible (Hopwood & Bromwich, 1984, p. 1). This included the type and ways of transmitting MAS information as MAS makes visible in the minds of users of the system 'a quite specific knowledge' about the activities of the organisation (Burchell, 1980 as quoted by Loft, 1986, p. 139).

Budgeting was the second area MAS was used by the new management team at PB to inculcate the change of corporate culture as '[b]udgets and accounting in general may not only shape the meaning given to events but might impact upon the culture of an organisation more generally' (Preston, 1995, p. 287). Furthermore, although MAS has

an internal orientation it shapes the opinion that society holds of the firm's activities (Johnson, 1983, p. 139).

In attempting to fulfil their roles as designed by initiators and designers of the system, MAS have other non-designed roles as it produces what Christiansen & Mouristen (1995, p. 221) describe as 'new and even competing representations of the organisation'.

3.15.1.3 Role of MAS in Decision-Making and Problem-Solving

By decision-making it is meant here the choice 'among various courses of action in order to ensure greater organizational effectiveness'. Problem-solving is used here in the meaning of choice-making, implementation, maintaining, monitoring and reviewing of decisions (Wilson & Chua, 1993, pp. 117, 61.)

MAS as other accounting information systems (AIS) have a role to facilitate decision-making (Kaplan & Atkinson, 1982, p. 12; Gordon et al., 1978, p.203; Gordon & Narayanan, 1984, p. 33; Wilson & Chua, 1993, p. 70; Miller, 1993, p. 127; Atkinson et al., 1997, p. 81; Helliar et al., 2002, p. 50; Chenhall, 2003, p. 146), problem-solving (Wilson & Chua, 1993, p. 70), highlighting what is perceived as problematic (Hopwood & Bromwich, 1984, p. 1), 'what can be deemed a credible solution' and in choosing the criteria for their selection Burchell et al. (1980, p. 17). This is done by transmitting relevant information to the whole organisation (Spicer & Ballew, 1983, p. 82), and in the identification and measurement of the nature and extent of an organisation's present and future sources of competitive advantage (Palmer, 1992, p. 187). [See discussion of the role of MAS in planning, decision-making and problem-solving in Chapter 4, Part III; and Chapter 5, Part III, The Role of MAS in Planning and Decision-Making].

3.15.1.4 Role of MAS as an Agent of Change

MAS, as discussed in Section 3.15.2.1, Role of MAS in Communicating Organisational Climate, contributes to the maintenance and stability of an organisation but they can also have a role as an agent or a facilitator of change (Gordon & Miller, 1976, p. 68; Atkinson et al., 1997, p. 85; Chenhall & Langfield-Smith, 1998, p. 382, Abernathy & Brownell, 1999, p.192; Burns & Vaivio, 2001, p. 395). MAS as a structure is an enabler of both change and non-change (Igor Ansoff as quoted by Peters & Waterman, 1995, p. 111).

Burns & Scapens (2000, p. 13) link the roles of MAS as an agent of change and stabilisation to its role in maintaining organisational integrity [see Section 3.15.2.1 Role of MAS in Maintaining Organisational Integrity] by stipulating that 'change will be influenced to some extent, by the existing routines, and as such the process is still path-dependent'. MAS can act as an agent of change to facilitate organisational performance (Gordon & Miller, 1976, p. 68) and OE [see discussion in Section 4.24, Epilogue, for a discussion of the change process at PB]. However, 'change does not come easily to such embedded systems' (Bromwich & Bhimani, 1994, p. 98).

3.15.1.5 Role of MAS in Collecting and Diffusing MA Information

As an information system MAS has a vital role in collecting, storing, processing, and communicating MA information to users. To a large extent the success of other roles depends on the success of MAS in this role as it is for other AIS (Emmanuel et al., 1994, p. 370).

Through diffusing MA information MAS plays a role in enhancing planning and decision-making by counteracting some users from holding information thereby reducing intra-firm information disparities (Tiessen & Waterhouse, 1983, p. 261) [see more in Section 4.7, Availability and Diffusion of Information at PB; Section 4.7.2.1, Description of Availability of Information at PB; Section 4.15.5.2, Problems Relating to Lack of information for Planning; Section 5.9.2.2, How Did the survey Interviewees Get the Information Needed].

3.15.2 Role of MAS in Control

MAS has a number of roles in enhancing the different aspects of control in organisations, which are discussed separately below. But it should not be understood that the roles are independent of each other but complement and affect each other as can be seen for example in the effect of the role of MAS in measuring outputs, score-keeping, rewarding and disciplining and its role in affecting employees' behaviour.

3.15.2.1 Role of MAS in Maintaining Organisational Integrity

MAS contribute to the maintenance of organisational integrity due to the salience of MAS (Collins, 1982, pp. 107, 116). It has a useful mediator role through exchange of MAS reports in affecting congruence between organisational members' expectations regarding the desired and the actual climate in organisations (Collins, 1982, p. 116).

MAS can influence the efforts of information gatekeepers restricting the sharing of MA information and thereby sharing power (Bariff & Galbrith, 1978, p. 15; Wetherbe, 1991, p. 55; Granlund, 2001, p. 162) through a cross-functional design and other structures of communication enabling the exchange of information.

3.15.2.2 Role of MAS in Affecting Employees' Behaviour

MAS influence employees' behaviour through both dimensions of control: feedforward and feedback control. Feedforward control is *ex ante* control that precedes events with the aim of ensuring goal attainment by planning ahead courses of action to avoid divergences from set plan objectives and targets before they occur, and by affecting employees' behaviour through inputs to users' decision processes (Birnberg & Nath, 1967, p. 468; Ansari, 1977, p. 103; Collins, 1982, p. 114; Tiessen & Waterhouse, 1983, p. 252; Horngren, 1989, p. 27-28; Hiromoto, 1991, p. 2). This is in addition to instances in which decision-makers wish to influence and shape other organisational members' views and attitudes.

Feedback control is *ex post* control where variances and divergences from plans, objectives and targets are reported after the events and correcting action is taken after the event. Examples of the role of MAS in feedback control discussed below are: in measuring output, rewarding and discipline, and in attention directing.

Ex ante control for affecting employees' behaviour takes special importance in services where output is usually difficult to define (Horngren & Sundem, 1987, p. 9), and outcomes cannot be easily measured by management. This role of MAS as an information system communicating information from top-down in banks where outputs are intangible in terms of quality and quantity and employees' performance is measured by surrogate measures such as volume of loans granted, number of customer defaulting, or volume of small deposits. In such cases the most effective way is to affect the behaviour of banks' employees to comply with their managements' goals and plans. An example of this in the PB case study is to affect the attitude of branch managers to comply with procedures to control credit granting to risky clients through incentives [see Section 4.16.1, Budgetary Control of Branches at PB].

3.15.2.3 Role of MAS in Communicating Responsibilities

In organisational settings MAS information can contribute to reaching and enforcing agreements within organisation (Tiessen & Waterhouse ,1983, p. 252; Collins, 1982, p. 114). Budgets, as an example, have a role in clarifying and reaching agreement between the budgeters and budgetees (Collins, 1982, p. 112), as well as in communicating to employees' role expectations (Collins, 1982, p. 107; Wilson & Chua, 1993, p. 367).

Burchell et al. (1980, p. 14) theorise that the role of accounting practice is determined by two elements: [1] uncertainty of cause and effect; [2] uncertainty of objectives. MAS could contribute to both elements through providing MA information and through using communication channels and structures.

3.15.2.4 Role of MAS in Co-ordinating Organisational Activities

Co-ordination is largely a function of control (Tannenbaum, 1968, p. 3 as quoted by Reinman & Negandhi, 1975, p. 476), and given the various different activities carried by organisational members and the division of corporate goals into smaller departmental and sub-departmental goal [see more on coordinative role of MAS in Section 5.17.1.4, Effects of Co-ordination Problems on Planning and Decision-Making in JCB] MAS contributes to the coordination of those activities as 'a powerful coordinative device. Particularly if the degree of organizational differentiation is quite high' (Gordon & Miller, 1976, p. 62).

A good example on this is the co-ordination of geographically dispersed branches of banks, and the highly differentiated work of deposits departments divided into sub-departments and the different sub-departments of credit not to mention the interdependence of those sub-departments and other departments in PB and other JCB.

3.15.2.5 Role of MAS in Motivating Employees

MAS's contribution is important to motivation (Collins, 1982, p. 107; Johnson & Kaplan, 1987, p. 4; Lynne, 1995, p. 238). Such a role can be fulfilled through providing feedback and feedforward control information to managers, and through reaching satisfactory performance evaluation measures and processes. As such the role of MAS in motivation is tied to its role in score-keeping.'

Hofstede (1968, p. 6) points to the importance of the system used to motivate employees which 'depends strongly upon the leadership skills of the budgetee's

superior, but also upon the way the system is organized' and operates. The relevance of the design of MAS at PB and its fit with other systems and employees' perception of its outcomes demonstrates MAS's role in motivating [see Section 4.18, Role of MAS in Providing Information on Performance Evaluation at PB].

3.15.2.6 Role of MAS in Measuring Outputs, Score-Keeping, Rewarding and Disciplining

Taking a Foucauldian approach, MAS have a role to generate and provide knowledge, which is power in organizations that can and is used to discipline. However, MAS themselves do not only generate power but are influenced by play of power (Loft, 1986, p. 140).

From the score-keeping role of MAS (Newman et al., 1989, p. 128; Emmanuel et al., 1990, p. 4) follows the roles of performance evaluation, rewarding and disciplining.

MAS is a mechanism for performance evaluation (Collins, 1982, p. 114; Kaplan & Atkinson, 1982, p. 12; Wilson & Chua, 1993, p. 60; Lynne, 1995, p. 238; Chenhall, 2003, p. 128) and administering rewards as they provide linkages between results and desired outcomes.

MAS contribution in organisational life to budgetary control, setting of standards, and setting of performance evaluation measures, rewards, and the penalties (Collins, 1982, p. 113; Otley, 1995, p. 49) are such examples [see discussion in Section 4.17.1, Budgetary Control of Branches at PB; and Section 5.19, Budgets in JCB].

3.15.2.7 Role of MAS in Attention Directing

MAS contributes to highlighting the problematic (Burchell et al. (1980, p. 17; Hopwood & Bromwich, 1984, p. 1; Newman et al., 1989, p. 128). Budgetary control in the PB case study and in other JCB was stressed whether by strict adherence to it or treating it as feedback control information to be used in directing attention to a situation and what needs to be done about it.

MAS contribute to directing attention to what is happening in an organisation whether favourable or unfavourable, to opportunities to be grasped (Johnson & Kaplan, 1987, p. 4), and to cross-functional exchange of information as well as opinions [see discussion in Section 5.22, Adequate Feedback and Feedforward Information in JCB]. MAS provide for all this through the design of communication channels and structures for communication. Yet the 'identification of variances is of

no value in itself – the value lies in ascertaining the cause of the variance and acting to correct it.' (Wilson & Chua, 1993, p. 322).

This role in control is significant in achieving the other roles mentioned earlier as control does not only entail compliance with plans but also redirecting the plans so as to achieve set goals.

From what is discussed above [Section 3.15, The Role of MAS in Organisations] on MAS roles in contributing to enhancing the activities of setting performance measures, defining and communicating responsibilities, communicating corporate goals and strategies among other activities, all those MAS roles can be linked to Exhibit 3.12, The Use of The Goal Model in OE:

[1]   contributing to choosing goals [see Section 4.15.5, The Goal-Setting process at PB; Section 5.16.1, Effects of the Goal-Setting Process in JCB;

[2]   contributing to identifying criteria of OE [Part V of this chapter, Literature Review of OE];

[3]   collecting, analysing and communicating MA information on results to users [see Section 4.7, Availability and Diffusion of Information at PB; and Section 5.9, Availability and Diffusion of Information in JCB];

[4]   contributing to redefining desired goals [see Section 4.15.3, Departmental Goals at PB; 4.15.5, The Goal-Setting Process at PB; Section 5.16.4 Sufficient Relevant Information on which to Base Future Plans].

Some researchers find there is no compelling evidence to suggest that such links exist to OE (Chenhall, 2003, p. 132). This is mainly due to the difficulty in measuring the impact of MAS on OE, as the influence of MAS cannot be studied in isolation of other systems in an organisation. Some studies tried to establish a link between design of MAS and OE, or the fit between MAS and organisational context leading to enhanced OE (Chenhall, 2003, p. 134).

3.16   What are MAS?

MAS are defined/described by researchers in a number of ways. Some definitions are *too broad and stress a strictly functional orientation as 'a formal system designed for providing information to managers'* (Bouwens & Abernethy, 2000, p. 223), and a system to 'accumulate, classify, summarize and report information that will assist managers in decision-making, planning and control activities' (Drury, 1996, p. xix).

Exhibit 3.12 *
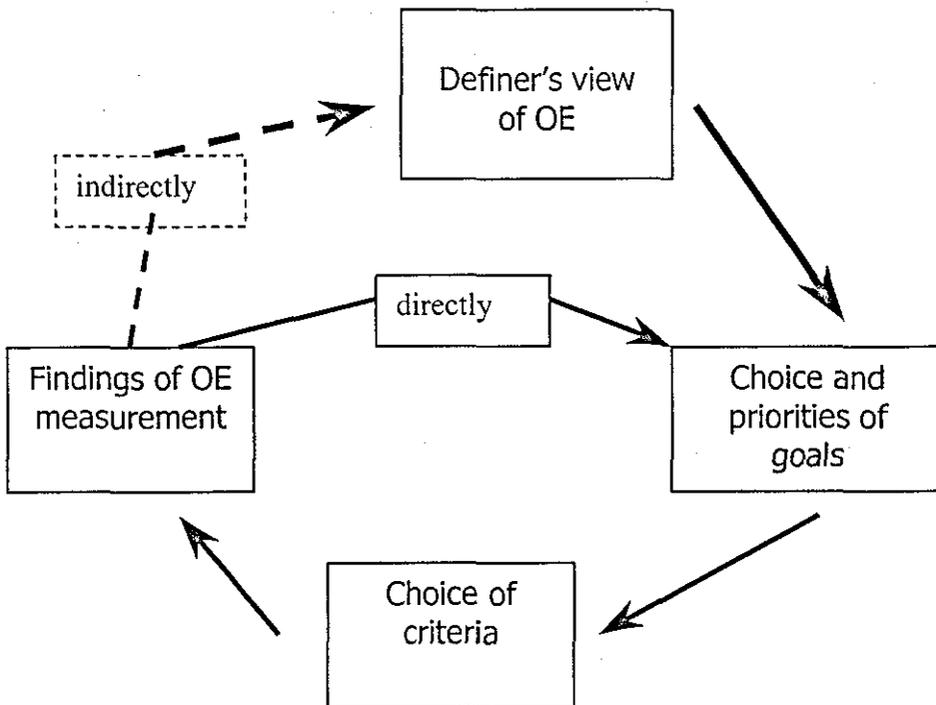
The Use of the Goal Model in OE

Others defined MAS as referring 'to the systematic use of MA to achieve some goal' (Chenhall, 2003, p. 129). Or, '[m]anagement accounting systems provide information to assist managers in their planning and control activities' (Kaplan & Atkinson, 1982, p. 1). Some definitions stress certain roles of MAS as Horngren (1989, pp. 27-28) presents a predominant role of MAS in control, and identifies four questions MAS needs to address: [1] choices of responsibility centres; [2] choices of performance measures; [3] choices of rewards, [4] the role of non-pecuniary compensation.

As important as control is for achieving desired performance, MAS has other contributions as a forward and outward-oriented information system.

While other definitions show the subtleties of roles of MAS in organisation as:

> '(1) interpretive schemes which management use to interpret past results, take actions, and make plans
> (2) norms which communicate a set of values and ideals about what is approved and what is disapproved, and
> (3) facilities which managers at all levels use to coordinate and control participants' (Scapens & Macintosh, 1996, p. 680).

MAS design cannot be value-free or neutral but has a political dimension (Burchell et al., 1980, p. 17, Ashton et al., 1995, p. 18) to MAS users, designers and initiators who:

> 'might be able to be influenced by particular participants, accounting systems can rarely, if ever, be the exclusive domain of a single interest. Rather they become mechanisms around which interests are negotiated counter claims articulated and political processes explicated' (Burchell et al., 1980, p. 17).

As important as the functional side of MAS such as score-keeping, variance analysis, communicating information, co-ordinating organisational activities, MAS have an implicit subtle side such as communicating corporate climate and culture, influencing values and attitudes, interpreting past performance, interpreting what is regarded as problematic, and what could be appropriate possible solutions, and influencing empolyees' behaviour.

It seems insufficient to describe MAS as mechanistic systems with inputs, throughputs and outputs or even adding to that MAS's interaction with the external environment. MAS can influence the inputs and processes and consequently, the outputs. Processing in MAS is very complex and not totally controlled as inputs interact with internal structures to influence the production of certain output preferences. Inputs on the other hand, cannot be perceived as objective or neutral but are subject to a negotiated process that can influence process and outcomes as measured by the MAS. As aptly described by Johnson & Kaplan (1987, p. 4): 'an

excellent MAS will not on *its own* make a firm successful, but an ineffective MAS can undermine a firm's efforts' (stress added).

Burns & Scapens, (2000, p. 4) commenting on research in the development of MAS find it has not been informative as it is premised on 'static' theoretical approaches, much of the existing research focuses on outcomes more than what causes change. Such research on the reasons behind the change and development in MAS through time and how users/decision-makers use them, is important in helping to understand what MAS are.

To summarise the above discussion it can be said that, MAS are formal information systems encompassing structures, mechanisms, and procedures designed to satisfy three functional roles:

[1] provide and communicate MA information (external and internal, financial and non-financial) to assist users in planning decision-making and control;

[2] provide a mechanism for programmed and non-programmed decisions;

[3] provide an information warehouse for users by collecting and storing information;

with the aim of achieving a certain OE while satisfying implicit political roles through:

[1] influencing the behaviour of system users;

[2] changing values, norms, and attitudes of system users.

Nevertheless, the link between the roles and outcomes cannot be seen as linear and measuring their impact in isolation of other information and control systems in an organisation can prove to be difficult but ought not to be abandoned.

3.17 Theoretical Influences on MAS Design

Puxty (1993, p. 143) makes a powerful remark on the outcome and use of research on MAS in that 'the project to create a grand theory for management accounting has ground to a halt: we no longer believe that through continued model building we reach a synthesis of knowledge with which to instruct the practitioner in the "right way" to design or use management accounting systems'.

Perhaps future research on the design and use of MAS will look more into understanding and explaining the different aspects of MAS. This research attempts, in a small way, to offer some of explanations of the possible links and behavioural issues among elements of MAS design, internal and external context, perceived goals,

designers, and users. Such explanations would hopefully indicate a way to enhance design and ways of achieving organisational and individual goals.

Theoretical influences on MA are discussed in Part II of this chapter, under Theoretical Bases of MA. This section is a review of some of the influences with a focus on MAS. Again the review is indicative rather than exhaustive, and attention is given to theories that informed this research.

3.17.1 Economics Theories in MAS

Economic-based theories influenced MAS design in laying emphasis on the technical orientation and evaluation of technical efficiency of processes [Exhibit 3.8, Main Theories in MA]. Scientific management and traditional management as exemplified by the works of Taylor (1911) and Weber (1947) influenced approaches to MAS design (Ansari, 1977, p. 103) theoretically and practically [see discussion in Section 3.6, The Influence of Economic Theory on MA]. This influence can be seen in the emphasis on structure in MAS design where MAS as an information system is viewed in a mechanical way as inputs of information processed by users in a specified way with predictable outputs.

The information evaluation approach to MAS based on normative economics, attempts to establish 'a general analytical framework for the rational choice of information alternatives'. As opposed to the descriptive approach which attempts to 'determine the information requirements of different organizations and people'. The descriptive approach helps in understanding the conditions under which prescriptions from normative models are feasible, the causal pressures affecting information in MAS reports in organisations and the effects of various choices (Tiessen & Waterhouse, 1983, p. 251).

3.17.1.1 Information Economics Theory in MAS

The introduction of information economics in the 1970s to MA highlighted the costs and benefits of information systems, and information systems design (Scapens, 1984, pp. 46, 47, 48). The theory yields useful insights into the economics of information and choices in designing MAS, and possesses a level of analytical rigour (Spicer & Ballew, 1983, p. 74) necessary when making choices in characteristics of information in MAS information.

However, Spicer & Ballew (1983, p. 75) acknowledge that an information evaluation approach has its shortcomings in multi-person control situations as in large, complex organisations. Information economics as other prescriptive economic approaches to MAS ignored the external environment and assumed rationality of managers in decision-making.

This research explains how decisions related to the design of MAS and characteristics of MAS information are not exclusively decided by rational decision-making and that the history of PB and of the MAS employed in PB affects the same two issues as does the external and internal environments of PB [see discussion in Section 4.11, Characteristics and Design of MAS at PB].

3.17.1.2   Agency Theory

The employment of agency theory in the 1970s into MAS, provided a better framework for multi-person information system choice than other economic theories (Scapens, 1984, p. 64; Johnson & Kaplan, 1987, p. 174) as well as acknowledging the problems of uncertainty and asymmetry of information between principal and agent [see more on agency theory in Section 3.6.2].

MAS design influenced by agency theory aims 'to determine which contract will result in an optimal sharing of risks and payoffs' (Tiessen & Waterhouse, 1983, p. 255). However, agency theory has its limitations when used to explain the demand for information in MAS (Kaplan, 1984, p. 405). It does not take into consideration the complexity of situations in organisation, and therefore in MAS design, where there is asymmetry of information, where organisational members do not pursue maximisation in each situation in isolation, where 'increased environmental dynamism, heterogeneity and hostility' exist, and increased decentralisation of power and responsibilities (Gordon & Miller, 1976, p. 61). Therefore, possibilities of increased moral hazard and asymmetry of information. One example is the issue of giving more power to branch managers of JCB on the one hand, and the possible moral hazard and asymmetry of information ensuing on the other.

Another relevance of agency theory in this research is in control and performance evaluation, as it emphasises the role of MAS as a control and decision-facilitating system (Scapens, 1984, p. 72) more than other main functions of management. One needs to consider that incentives based upon variables measured and communicated

by MAS (Gietzmann, 1995, p. 259) could create a 'moral hazard' or 'hidden action mode' when the agent has the freedom to self-select effort (Gietzmann, 1995, p. 262).

3.17.2   Behavioural Theories in MAS

A behavioural approach on the other hand 'emphasizes the human and social process by which an organization achieves its goals' (Ansari, 1977, p. 103). What followed from traditional management and behavioural approaches was the influence on MAS design incorporating technical elements of a system with the social influences of the human element i.e. a socio-technical system (Ansari, 1977, p. 104). [See more on behavioural theories in Section 3.7].

3.17.2.1   System Theories in MAS

Within system theories organisations are seen as 'open systems comprising various subsystems that individually and jointly determine organizational effectiveness' (Pennings & Goodman, 1977, p. 153), and are highly interdependent with their environments (Seashore & Yuchtman, 1967, p. 393; Scott, 1977, p. 74). The open system approach when used in research on MAS provides insights that allow dealing with design issues (Ansari, 1977, p. 107) in a way which overcomes the weaknesses of cybernetic closed systems. Nevertheless, an open systems approach to MAS is criticised by Scott (1977, p. 74) as being more oriented to the study of processes than inputs, throughput, outputs, and structures [see more on systems theory, Section 3.7.2].

The analysis of the data collected from the PB case study and the survey show the relevance the external environment and the interaction of the various sub-systems such as performance evaluation, goals setting/standards, and budgetary control operating within MAS. It also shows the nature of inputs to MAS in terms of cost/benefit, the influence of the human element in all processes and structures, and the effects of inputs and throughputs on the outputs within an organisational structure.

3.17.2.2   Contingency Theory

Contingency theory/theories is used to explain and predict the conditions and best fit under which particular designs of MAS can be deemed more appropriate. Some researchers view it as a major breakthrough in studying MAS:

'a contingency theory of MIS <u>and</u> MAS design might not only be a major contribution to our MA theory development in general, by helping to explain the role and use of accounting in organisations. It also would be a great value in practice, for it would provide a *powerful counter to the universalistic, tool-kit* prescriptions and principles which fill our text-books and under-pin much of our professional discourse and practice' (Earl, 1983, p. 32).

In applying contingency theories to MAS design, some researchers have sought to uncover direct relationships between contextual factors and organisations' accounting and information systems and design effectiveness (Hopper, 1980, Ashton et al., 1995; Gordon & Miller, 1976, p. 59; Waterhouse & Tiessen, 1978, p. 65; Tiessen & Waterhouse, 1983, p. 252; Covaleski et al., 1996, p. 5; Reid & Smith, 2000, p. 430; Chenhall, 2003, p. 128 to mention a few). Technology and environment (dynamism, heterogeneity and hostility) were the first variables identified. Strategy national culture, national history (Bhimani, 1999, p. 429), sub-unit interdependence, national culture and competitive strategy, and corporate culture are more variables introduced by researchers to affect MAS design [Exhibit 3.13, Contingency Variables in MAS Design]. This gradually came as researchers more and more started to realise that certain designs of MAS fit certain organisational contexts more than others in affecting employees' behaviour into better performance, (Ansari, 1977, p. 104) and as more contingent variables were identified and researched [see more in Section 3.7.7, Contingency Theory in MA]. The design of MAS therefore becomes, more specifically tailored to meeting both internal and external contextual needs of organisations (Gordon & Miller, 1976, p. 60; Bromwich & Bhimani, 1994, p. 89), which explains the variety of MAS actually observed in practice (Otley, 1980, p. 425).

The part of research in MAS influenced by organisation theory takes a functionalist contingency approach to the design of MAS to achieve *organisational outcomes or organisational goals* (Chenhall, 2003, pp. 128,157). On this Scapens (1984, p. 57) argues that the contingency approach and 'most of the organisation-theory-based approaches, view the management accounting systems as a means of achieving organizational control'.

Chenhall (2003, p. 155) identifies within contingency theories three forms of theoretical fit between MAS studies and contingent variables:

[1] Selection studies which, examine the way contextual factors are related to aspects of MAS with no attempt to assess whether this association is linked to performance. Such studies neglect the fact that users and designers of MAS employ them to serve

Exhibit 3.13

Contingency Variables in MAS Design

	Contingent Variable	Reference
1	Environment Dynamism, heterogeneity, hostility	Gordon & Miller, 1976; Hopper, 1980; Otley, 1980; Tiessen & Waterhouse, 1983; Gordon & Naraynan , 1984; Ashton et al., 1995; Anderson & Lanen, 1999
2	Technology	Markus & Pfeffer, 1983; Burns & Stalker, 1994; Covaleski et al., 1996; Chenhall, 2003
3	National culture	Markus & Pfeffer, 1983; Anderson & Lanen, 1999; Chenhall, 2003
4	National history	Bhimani, 1999
5	Sub-unit interdependence	Reid & Smith, 2000
6	Competitive advantage	Anderson & Lanen, 1999; Chenhall 2003
7	Corporate culture/ management style	Christiansen & Mouritsen, 1995
8	Decision maker style & psychology of users	Hofstede, 1969; Mason & Mitroff, 1973; Driver & Mock, 1975; King & Cleland, 1975; Gordon & Miller, 1976; March, 1987
9	Established power distributions	Markus & Pfeffer, 1983
10	Strategy	Spicer & Ballew, 1983; Palmer 1992, p.179; Chenhall 2003
11	Performance appraisal system	Ashton et al., 1995
12	Organisational structure	Gordon & Miller, 1976; Hopper, 1980; Gordon & Naraynan, 1984
13	Interrelation of man and machine	Simon, 1977; Driver & Mock, 1975
14	Occupational culture	Hopper 1980
15	Principles of feedback & feedforward control	Wilson, 1998

certain purposes, which at the same time might not be congruent. Consequently, it is pertinent to study the relation of contextual factors to MAS in the ability of MAS to serve users' and designers' purposes interpreted by many researchers as improved OE [see discussion in Section 3.19, Perspectives in Defining OE].

[2] Interaction approaches include studies that examine how organisational context moderates the relationship between MAS and organisational performance. Organisational context needs to be understood here as external and internal factors in the environment.

[3] Systems models with social, behavioural, and technical aspects combine in a variety of ways with aspects of control, information systems, and dimensions of context to enhance performance.

In this research a number of contingent variables were found to influence MAS design producing certain outcomes in the form of goal attainment through planning, decision-making and control processes [see Exhibit 4.12, Factors Affecting the Design of MAS at PB].

Contingency-based research covered a number of aspects of MAS such as meeting budgets, budgetary participation, budget slack, variance analysis, formality of communications and systems sophistication, links to reward systems, non-financial performance measures (Chenhall, 2003, p. 129). The contingency approaches to MAS design are built on two fundamental and therefore common premises:

> 'These are that: (i) there is no universally appropriate managerial accounting system that applies equally to all circumstances, (ii) The choice of a particular accounting system will depend on an appropriate match between the features of an accounting system and the circumstances under which it is to operate' (Wilson & Chua, 1993, p. 52).

Waterhouse & Tiessen (1978, p. 74) caution, however, that contingency theories have no conceptual and methodological absolute clarity. Environment does not mean the same in all studies, nor include the same aspects as in the case with technology, or centralisation for example. Consequently, measures of variables and empirical relationships among variables are not clearly established, a shortcoming this research attempts to avoid by describing variables and relationships.

Another criticism of contingency theory is in its relying on traditional, functionalist theories and not applying more interpretive and critical views as sociological processes affect MAS in practice (Chenhall, 2003, p. 159, 161). This criticism seems to be directed to the way contingency theory has been used rather than the principles

of the theory itself. In this research into the role of MAS in enhancing OE, the relevance of social interaction to the design, structures, and processes within MAS and the action of users, designers and initiators/movers of MAS came out clearly. It affected aspects of MAS such as type and quantity of information inputs, diffusion of information, interpretation of information both as inputs and outputs [see for example, Section 4.7.2, Factors Affecting Acceptability of MAS Information at PB; Section 4.10, Factors Hindering the Diffusion of Information at PB; Section 4.13.2, Factors that Hindered the Use of IT in MAS at PB; Section 5.10.1, Factors Hindering Diffusion of Information in JCB; Section 5.12.1.2, Psychology and Problems of Users in JCB].

3.17.2.3 Organisation Theory in MAS

Organisation theory recognises the importance of both the social and the technical aspects in MAS (Scapens, 1984, p. 56; Otley, 1984, p. 97; Emmanuel et al., 1990, p. 46). Researchers in the mid-1970s adopted 'theories developed in organization theory, as they appeared to be uniquely suited to explain observed variations in the operations of management accounting systems' (Otley, 1984, p. 127) [see more on organisation theory in Section 3.7.1].

Good examples are the studies on the use of budgets and budgetary control within organisation theory (Otley, 1984, pp. 131,100). It also provided a helpful theoretical background for studying causal relationship between accounting systems and effective organisational performance (Burchell et al., 1980, p. 12).

3.17.3 Sociological Theories in MAS

Birnberg & Nath (1967, p. 472) highlight the need for MAS design to consider the sociological structure of organisations as the information needs of organisations can differ. Sociological approaches see MAS as being more active compared to the more conventional and contingency approaches that take MAS as 'a passive tool' designed to assist managers in decision-making (Chenhall, 2003, p. 129), planning and control. The link between society and MAS and the socio-economic dimension of MAS explains the employment of sociological theories in MAS research (Ansari, 1977, p. 104; Otley, 1984, p. 131; Puxty, 1993, p. 78):

> 'because the link between the nature of the socio-economic system and the nature and function of the management accounting system in the organization that we have to pay attention...to a theorizing of society as a whole and cannot fall back on a reductionist focus on the organization and its participants alone' (Puxty, 1993, p. 78).

The main social theories that influence MAS design are the labour markets approach, the structuration theory, and interactionist/social action theory [see Section 3.8, Social Theory in MA] which are discussed in more detail below.

3.17.3.1 Internal Labour Markets Theory in MAS

Tiessen & Waterhouse (1983, p. 261) argue that MAS are an integral part of internal labour markets as a system were power relations between labour and management and where control process such as budgets and setting production standards, and performance evaluations measures are implicated [see more discussion in Section 3.8.2, The Labour Process Approach in MA]. Examples of those aspects can be observed in the PB case study [see Section 4.17, Conflict of Interest in Setting Goals and the Game of Budget Control at PB; and Section 5.19, Budgets in JCB].

An important contribution of internal labour markets theory to MAS is in addressing *ex ante* and *ex post* uses of MAS information compared to previous theories that concentrated on *ex post* information for enhancing control while *ex ante* information not only enhances control but also can contribute to employees' co-operation in implementing plans. Furthermore, it reduces friction between levels of management as it informs and empowers employees [see Section 3.15.1, The Role of MAS in Planning; Section 3.15.2, The Role of MAS in Control; and Section 3.16, What are MAS].

3.17.3.2 Structuration Theory in MAS

Scapens & Macintosh (1996, p. 677) note the potential of social theories in providing a framework for research in MAS as an interaction between action and structure:

> 'structuration theory provides. a potentially valuable framework for management accounting research...Giddens' analysis of the duality of structure allows us to conceptualise management accounting systems as modalities of structuration which mediate between action and structure'.

An area that benefits from the explanatory power of structuration theory is in explaining the duality of actions of users of MAS and initiators of MAS on the one hand and of MAS and organisational structure on the other [see more on structuration theory in Section 3.8.3; and Section 4.11.1.4, Effects of Organisational Structure on MAS Design at PB; Exhibit 5.5, Elements in Organisational Structure in Enhancing the Role of MAS in Enhancing OE; and Section 5.16.1, Factors Hindering Flow of Information in JCB].

3.17.3.3 Interactionist/Social Action Theory in MAS

Interactionism provides a basis for exploring, and understanding the implicit subtle roles of MAS in organisations as well as influencing its operation [see more in Section 3.8.1, Interactionist/Social Action Theory in MA]. Interactionism can be a useful perspective in MAS in areas such as play of power, internal politics, budgets, and budgetary control (Gross, 1965, p. 211; Pettigrew, 1972, p. 188; Miller, 1993, p. 126; Granlund, 2001, p. 162).

The acknowledgment by researchers of the undeniable social aspect of MAS (Birnberg & Nath, 1967, p. 472; Puxty, 1993, p. 78; Tiessen & Waterhouse, 1983, p. 261; Scapens, 1984, p. 56; Otley, 1984, p. 97) provides theoretical space for social theories to contribute to the design and operation of MAS. This should not deny however contribution from related disciplines such as organisational behaviour and social psychology [see Section 4.12, Characteristics and Design of MAS at PB; Exhibit 4.14, Factors Affecting the Design of MAS; Section 4.9, Diffusion of Information at PB; Section 4.10, Factors Hindering Diffusion of Information at PB; and Section 5.10.1, Factors Hindering Diffusion of Information in JCB].

PART V LITERATURE REVIEW OF ORGANISATIONAL EFFECTIVENESS (OE)

This section reviews the literature on OE as the research question investigates the role of MAS in enhancing OE. It looks at some of the problems in defining OE, and the different criteria used in assessing it, followed by models and attributes of OE. As this research adopts a goal attainment approach to assessing OE, further elaboration of the goal approach is discussed looking into the nature of goals as discussed in the literature, and lastly measures of OE as a construct that has not only different meanings and attributes but is measured in different ways.

3.18 Controversy over Defining OE

Hannan & Freeman (1977, p. 106) describe OE as 'one of the strongest and most persistent themes in the literature on organisations'. Research earnestly on OE began in the 1960s (Lowe & Soo, 1980, p. 63) still, decades later, it remained controversial, elusive and ill-defined (Benson, 1974, p. 273; Campbell, 1977, p. 15; Lowe & Soo, 1980, p. 63; Quinn & Cameron, 1983, p. 41; Quinn & Rohrbaugh, 1983, p. 363; Kraft

et al., 1996, p. 102), and with little agreement on what are the criteria of OE (Quinn & Cameron, 1983, p. 41; Kraft et al., 1996, p. 102).

Researchers offer different explanations to the controversy and ill-definition as resulting from:

'**lack of interdisciplinary approaches**, which leaves economists, sociologists, and psychologists unaware of each other's contributions, view points even within the field of organizational theory are widely different and often reveal, implicitly or explicitly, basically **different assumptions about the nature of organizations**' (Pennings & Goodman, 1977, p. 147).

Another explanation offered is that **OE relates to the concept of organisational goals**, which is 'one of the most complex and controversial topics in organizational theory' (Scott, 1977, p. 64).

Furthermore, inconsistency arises from **discrepant conceptions of OE** (Yuchtman & Seashore, 1967, p.892) and **different values in the conception of OE** (Quinn & Rohrbaugh, 1983, p. 375; Campbell, 1977, p. 23).

Nevertheless, '(d)espite the ambiguity and confusion surrounding it, the construct of OE is central to the organizational sciences and cannot be ignored in theory and research' (Cameron, 1986, p. 540).

3.19   Perspectives in Defining OE

There are different perspectives from which OE can be defined and more than one way of evaluating and comparing OE from the perspectives of different groups of individuals (Yuchtman & Seashore, 1967, p. 895). Definitions of OE differ as researchers' perspectives differ [Exhibit 3.14, Perspectives in Defining OE].

OE is defined from **a micro economic perspective** as 'the maximization of return to the organization by all means' (Katz & Khan 1966as quoted by Yuchtman & Seashore, 1967, p. 901). Thus, focusing attention exclusively on profit and productivity (Steers, 1975, p. 546) to the neglect of other outcomes such as employees' satisfaction and social interests. Furthermore, maximisation of return cannot be regarded as applicable at all times and to all organisations (Yuchtman & Seashore, 1967, p. 901; Hall, 1972, p. 65).

A different definition of OE suggested away from the principle of maximisation is **a goal perspective** as a desirable aim and a tool that 'measures the extent of goal achievement and reflects the state of affairs at a point in time' (Wilson, 1998, p.6).

Exhibit 3.14
Perspectives in Defining OE

	Perspective	Definition	Reference
1	Micro economic	The maximization of return to the organisation by all means.	Katz & Khan, 1966
2	Goal achievement	Measures the extent of goal achievement and reflects the state of affairs at a point in time.	Hall, 1972; Pennings & Goodman, 1977; Wilson, 1998
3	Social	Achieving organisational goal without incapacitating its means and resources and without placing undue strain upon its members.	Georgopoulos & Tannenbaum, 1957; Yuchtman & Seashore,1967
4	Resource acquisition and allocation	Effective organisations are those that acquire resources to match their needs through the strength of their bargaining positions. Or the extent to which organisations optimally distribute resources among sub-units.	Yachtman & Seashore, 1967; Cunningham, 1977; Pfeffer, 1977; Pfeffer & Salancik, 1978
5	Psychological	An effective organisation is which satisfies the greatest percentage of participants.	Cummings, 1977
6	Financial	Financial viability of an organisation	Price & Mueller, 1986

112 A

Within this perspective OE needs to be defined and measured at two levels: the micro-level (organisational level), and the macro level (societal level). The micro-level looks at OE as effective and efficient utilisation of available resources to achieve desired short and long-range outcomes/goals. The macro-level looks at OE in effective and efficient acquisition of social resources and balancing optimisation in the short-term with the long-term interests of the external environment.

The degree of goal achievement (Lowe & Soo, 1980, p. 64) is also relevant to the goal perspective as 'the degree to which an organization realizes its goals' (Hall, 1972, p. 96), or as when 'organizational results approximate or exceed a set of referents for multiple goals' (Pennings & Goodman, 1977, p. 160).

The third perspective is a **social perspective** where OE is defined as 'the extent to which an organization as a social system, given certain resources and means, fulfils its objectives without incapacitating its means and resources and without placing undue strain upon its members' (Georgopoulos & Tannenbaum, 1957, p. 535). The two main strands here, achieving organisational goals and social goals, are pulled together as a necessary condition to achieving OE as 'a clear understanding of an organization's functional and environment uniqueness as a prerequisite to assessing its effectiveness' (Steers, 1975, p. 551).

Advocates of the social perspective believe the appropriate frame of reference is society, and OE is to be measured according to the organisational outcomes which benefit society (Yuchtman & Seashore, 1967, p. 895; Lowe & Soo, 1980, p. 64; Pfeffer, 1977, p. 142) and the individual (Lowe & Soo, 1980, p. 64). However, this perspective raises the problem of measurement of efficient exploitation of social resources, and the same difficulties that face the goal perspective in measuring goal achievement.

However, other researchers see that it is preferable to look at OE from 'the point of view of the system itself- of the total organization in question rather than from the standpoint of some of its parts or of the larger society' (Georgopoulos & Tannenbaum, 1957, p. 535; Georgopoulos, 1965, p. 155).

The fourth perspective is OE as **resource acquisition** in terms of an organisation's absolute or relative ability to exploit its environment in the acquisition of scarce and valued resource (Yuchtman & Seashore, 1967, p. 898; Pfeffer, 1977, p. 143). Pfeffer & Salancik (1978, p. 47) see that problematic conditions of resources come from the environment, therefore, the extent to which organisations have 'discretion over the

113

allocation and use of a resource possessed by another social actor' determines that organisation's OE. However, the resource acquisition perspective fails to propose ways to evaluate the utilisation of acquired resources by organisations.

The fifth perspective define an effective organisation from a **psychological perspective** as 'one in which the greatest percentage of participants perceive themselves as free to use the organisation and its sub-systems as instruments for their own ends' (Cummings, 1977, p. 60). The psychological perspective brings up the question of from which stakeholder's perspective is OE to be viewed and evaluated?

The sixth perspective, the **financial perspective,** defines effectiveness in a much specified way as 'the financial viability of an organization' (Price & Mueller, 1986, as quoted by Kraft et al., 1996, p. 103). Although financial viability is necessary for an organisation to survive and develop, it is not sufficient to evaluate the effectiveness of its operations in the absence of a referent or referents.

Peters & Waterman (1995, p. 103) believe that 'the excellent companies are among the most fiscally sound of all. But their value set *integrates* the notions of economic health, serving customers, and making meanings down the line. As one executive said to us, "Profit is like health. You need it, and the more the better. But it's not why you exist".

Due to differences -as discussed above- as to which perspective to use to define OE, the establishing of a relationship between achieving goals and achieving OE, the different disciplinary approaches to OE, the lack of agreement on referents/values for assessing OE, it has been difficult to reach a single definition of OE (Campbell, 1977, p. 15; Quinn & Rohrbaugh, 1983, p. 375). Some researchers such as Pondy (1977, pp. 233, 234) are against finding a common definition or theory of OE in the fear that it will impose a single path to OE.

Mahoney (1967, p. B-77) observes that managers in business and industry compared to academics 'make frequent judgements about the relative effectiveness...despite the lack of consensus among writers discussing organizational effectiveness. Judgements of effectiveness are made explicitly or implicitly, whenever budgets are formulated, projects and tasks are assigned, and whenever organizations' shifts of resources are considered'.

3.20 OE a Concept or a Construct?

Another controversy is centred on the nature of OE. Quinn & Rohrbaugh (1983, p. 374) explain that OE is not a concept but a socially constructed abstract notion carried about in the heads of organisational theorists and researchers and one can add managers. There has also been no agreement among researchers as to the relevant dimensions of the attributes (Mahoney & Weitzel, 1969, p. 357) to be included in the construct and how they are to be related (Steers, 1975, p. 546; Quinn & Rohrbaugh, 1983, p. 364; Goodman & Pennings, 1977, p. 2). [See Exhibit 3.15, Characteristics of OE Construct].

3.20.1 Characteristics of OE as a Construct

OE as **a multidimensional construct** with attributes relating to many domains of activity in an organization is widely acknowledged (Mahoney & Weitzel, 1969, p. 357; Cameron, 1986, p. 543; Steers, 1975, p. 347; Davis & Pett, 2002, p. 87), although not adequately researched (Davis & Pett, 2002, p. 87). Cameron (1986, p. 543) in referring to work previously done by him in 1978 and 1982, show that 80% of the criteria used by researchers in the evaluation of effectiveness **did not overlap** with those used in other studies and 'no specifiable construct boundaries exist' (Cameron, 1986, p. 541).

Exhibit 3.15
Characteristics of OE Construct

Characteristic	Reference
Multidimensional	Cameron, 1986; Steers, 1975; Davis & Pett, 2002
Lack of consensus over attributes	Mahoney & Weitzel, 1969; Cameron, 1986
Attributes selected on the basis of an author's particular interest or speciality	Cunningham, 1977; Campbell, 1977
Problem of measuring qualitative attributes	Peters & Waterman, 1995; Rangone, 1997
Dynamic nature	Humphrey, & Olson, 1994; Hall, 1972

Attributes of OE are **selected on the basis of an author's particular interest or speciality** and using personal value judgment (Cunningham, 1977, p. 463; Campbell, 1977, p. 23) [Exhibit 3.16 Determinants of Choice of OE Attributes].

> 'which, and whose, criteria we choose to emphasize in our studies of organizations will depend on our own interests in undertaking the study. The important thing is to state clearly what we wish to employ and to recognize that whatever they are, and whoever espouses them, they are always normative, will serve some interests more than others, and are likely to be controversial' (Scott, 1977, p. 72).

There is also the **problem of measuring qualitative attributes as** when measuring key success factors that are linked to OE when those are qualitative in nature such as innovation (Peters & Waterman, 1995, p. xxiv; Rangone, 1997, p. 208).

OE as goal attainment is a **dynamic notion** changing with the change in social values and the contexts in which organisations operate and corporate effectiveness is socially constructed (Likert & Seashore (1965, as quoted by Hofstede, 1968, pp. 50-51; Hall, 1972, p. 82; Humphrey, & Olson, 1994, p. 346; Hopwood, 1979, as quoted by Humphry & Olson, 1995, p. 364)

> 'managerial perceptions of organizational effectiveness (is expected) to vary with industry, size of firm, organizational level of the manager, growth pattern of the firm, and related characteristics. It is not clear, however, which of these characteristics is likely to have the greatest impact upon managerial perceptions of organisational effectiveness' (Mahoney, 1967, p. B-84).

Scott (1977, p. 89) and Hannan & Freedman (1977, p. 112) correctly argue that the choice of attributes will affect the findings. Within the goal approach, goals define the criteria and preference ordering of outcomes (Hannan & Freedman, 1977, p. 112). A definer's view of OE influences the choice of goals and their ranking, which in turn influences the attributes of OE the definer aims at achieving. In measuring and evaluating OE, the definer's view will influence what a definer will look for and evaluate. Through a circular process the measurements of OE used and the findings influence a definer's choice and ranking of the goals to be achieved, and indirectly a definer will reassess his/her view of how (s)he perceives OE [Exhibit 3.16, The Use of the Goal Model in OE].

A study by Steers (1975, pp. 551-554) of 17 models of evaluation criteria of OE concludes by identifying eight characteristics, which should not be viewed as problems in understanding and investigating OE: [1] construct validity, as there is a problem in identifying the domain of the construct; [2] criterion stability due to the evolving and changing nature of OE, [3] time perspective, [4] multiple criteria which can also conflict with each other; [5] precision of measurement to quantify the

Exhibit 3.16

Determinants of Choice of OE Attributes

Which activities
a definer wants to
evaluate

Definer's understanding
of what is OE as pertaining
to the situation

Definer's
view
of
OE

Attributes
of OE

116 A
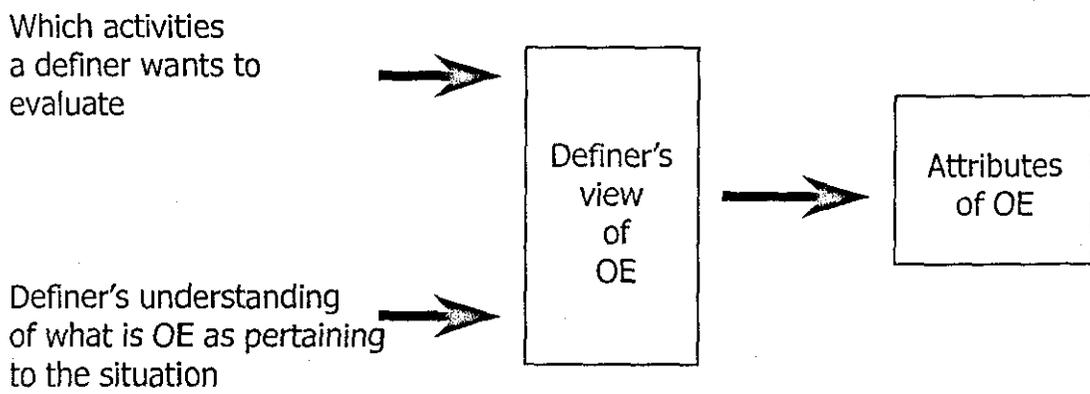
concept accurately and consistently; [6] generalisability to all and any organisation; [7] theoretical relevance of OE models; [8] level of analysis as many models take an organisation's macro level and ignore 'the critical relation between individual behavior' and the organisation.

Steers (1975, p. 549) found that out of the 17 evaluation criteria multivariate models of OE he investigated 'there is surprisingly little overlap across the various approaches'. His conclusions show that only three evaluation criteria were mentioned repeatedly: adaptability-flexibility [10/17 times], productivity [6/17 times], and satisfaction [5 /17 times]. All other evaluation criteria were mentioned two or three times. This, Steers (1975, p. 549) explained as resulting from using different perspectives, or different levels of evaluation. Steers (1975, p. 549) concluded from his study 'that the effectiveness construct is so complex as to defy simple attempts at model development. Perhaps more flexible, comprehensive models are required'.

In another study, by Mahoney (1967) on managers in various industries, examining the empirical relationships among 114 characteristics that are often considered criteria of OE by literature and managers (Mahoney, 1967, p. B-79), he concluded that efficient performance explained as efficient performance - mutual support - utilisation of personnel, 'which most closely approximates the achievement of ultimate goals', accounted for approximately the same proportion as the combination of the remaining three dimensions of OE (planning, reliability, and initiative) reported in the study (Mahoney, 1967, p. B-83).

The two studies of Steers (1975) and Mahoney (1967) separated by less than 10 years show different conclusions. Steers' study shows that adaptability-flexibility is the most mentioned criterion of OE, while the other study shows efficient performance as the most used criterion. Some of the reasons for the difference in the two studies' conclusions could be the effect of change in perceptions of OE from 1967 to 1975, or the different perspectives of definers who were managers in Mahoney's study while Steers used OE models from the literature.

3.21 Why Definitions Differ

Differences in defining OE by researchers are mainly due to different views of the **nature of organizations** (Goodman & Pennings, 1977, p. 3), defined from **different perspectives** of definers, evaluated and compared in more than one way and measured from the frame of **reference of the measurers** (Yuchtman & Seashore,

1967, p. 895; Steers, 1975, p. 552; Kirchhoff, 1977, pp. 347, 348; Pfeffer & Salancik, 1978, p. 33; Khan, 1977, p. 239; Kraft et al., 1996. p. 103).

Definers can be owners, community, government, customers, suppliers, creditors, and employees (Kirchhoff, 1977, p. 351), in addition to managers (Wilson & Chua, 1993, p. 14). Those different definers carry different values of OE and use different measures to assess it. To this one could add that in the end organisational effectiveness is what the relevant parties decide it should be. There is no higher authority to which we can appeal (Campbell, 1977, p. 52).

Lewin & Minton (1986, p. 515) stress a contingent approach to a theory of OE in the futility of seeking a universal, overarching theory of effectiveness. Schools of thought in OE such as scientific management, human relations, socio-technical, organisational development, and classical economic theory of the firm (Miles, 1980 as quoted by Lewin & Minton, 1986, p. 519) each defines OE from its own perspective. Steers (1975, p. 553) find multiple criteria in assessing OE an advantage and a weakness at the same time and argue that in such a case organisations by definition cannot be effective. Steers' (1975) discussion is suggestive that he is working with an *a priori* *definition of OE to which multiple criteria do not conform.*

The use of different criteria in assessing OE produced a number of models for assessing OE that can be broadly categorised as normative, descriptive and universalistic models [Exhibit 3.17, Main Models for Assessing OE]. Most models of OE are normative (Hannan & Freeman, 1977, p. 107). Universalistic models of OE (Seashore & Yuchtman, 1967, p. 393) are more abstract and more theoretical as they perceive OE as the ability of an organisation to exploit its environment in the acquisition of scarce resources (Seashore & Yuchtman, 1967, p. 393). Descriptive models perceive OE as achieving what an organisation sets out to achieve (Wilson & Chua, 1993, p. 316). Cunningham (1977, p. 463) advocates developing models for each approach to assessing OE among uncertainty of OE criteria, unclear conclusion of assessing OE, the use of different frameworks for particular organisational situations, whether what is assessed is: the organisational structure, the organisation's human resources, or the impact of organisational functions or activities.

Exhibit 3.17
Main Models for Assessing OE

```
                        ┌──Rational goal model /Goal model
(1) Rational model  [
                        └──Internal process model /Decision process model

                                                    ┌──Natural systems model
                    Open systems model    |
                                                    ├──Systems resource model
(2) Natural model   |                               |
                                                    └── Participant satisfaction model
                        └────Natural model / Human relations model
```

Quinn & Rohrbaugh, 1983, pp. 364, 373
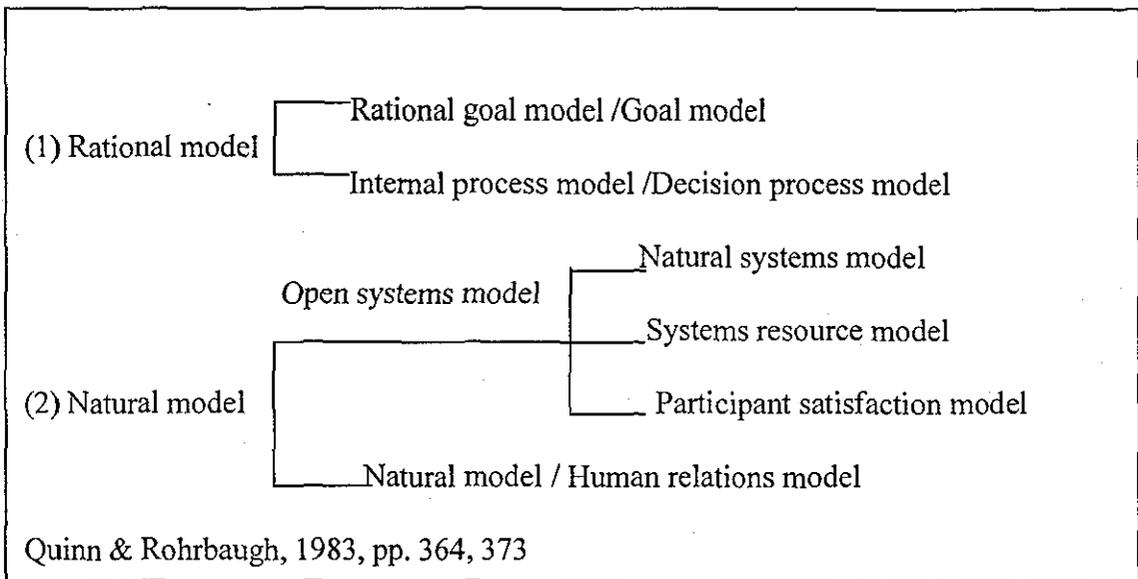
3.22   Criteria for Assessing OE

There are five main criteria suggested by researchers to assessing OE. Each is discussed separately in the sub-sections below.

3.22.1   Allocation of Resources as a Criterion for Assessing OE

According to this approach OE is the extent to which an organization optimally distributes resources among its subsystems and that,

> 'optimality is the key word...The organization according to the proponents of this approach, strives to survive and satisfy the needs of its components...
> 'Each subsystem's needs should be evaluated from two focal points – efficiency and stress' (Cunningham 1977, pp. 465, 466).

Some researchers find the issue of using a goal approach versus resource allocation is in many ways an argument over semantics (Georgopoulos & Tannenbaum, 1957, p.535; Hall, 1972, p. 100; Cunningham, 1977, p. 466) as resource allocation is also concerned with the ability of the organisational system to accomplish goals eventually measured in the optimal distribution of resources.

3.22.2   Survival of Organisations as Criterion for Assessing OE

This approach argues the plausibility of explaining and measuring OE in terms of survival (Lowe & Soo, 1980, p. 64; Hannan & Freeman (1977, p. 128). Hannan & Freeman (1977, p. 128) note that 'it is not true that organizations that fail to achieve their goals or fail to make progress in that direction will fail to survive'. Survival

versus goal attainment according to Hannan & Freeman (1977, p. 109) is important to keep apart and neither is a surrogate for the other. By that they refer to two different organisational processes, and this implies using different strategies and structures. Furthermore, when survival is considered as an organisational goal 'all of the problems enumerated with respect to other goals arise' (Pfeffer, 1977, p. 139).

3.22.3   Adaptability and Flexibility as a Criterion for Assessing OE

Effectiveness according to an open systems approach implies 'adaptability or flexibility...and maximization of bargaining position' i.e. for an organisation to exploit its environment (Scott, 1977, p. 74).

Nevertheless, adaptation is not conceptually different from survival or resource acquisition. One way to achieving goals is the ability of an organisation to incorporate flexibility and adaptability in its processes to accommodate changes in the internal and external environments adaptation can be seen as well 'as a dynamic aspect of goal attainment' (Hannan & Freeman, 1977, pp. 109, 110).

3.22.4   Resources Acquisition as a Criterion for Assessing OE

This criterion looks for the ability of an organisation to optimise the exploiting of its environment in the acquisition of scare resources to sustain its functioning (Seashore & Yuchtman, 1967, pp. 393-394; Yuchtman & Seashore, 1967, p. 898; Davis & Pett, 2002, p. 87) through a continuous process of exchange and competition. Lowe & Soo (1980, pp. 67, 68), however, see the systems acquisition perspective of organizations remaining as a goal model, and the definition of 'scarce' and 'valued' resources 'may be ambiguous in the absence of more specific goals', and does not 'help to focus on the relationship between an organization and its environment' as an open systems approach does.

This criterion of OE can be further criticised as lacking in a specification of the determinants of effectiveness as optimisation in exploiting the environment needs to be translated into more concrete goals. It is also lacking a specification of how the environment serves as a determinant of effectiveness (Pennings & Goodman, 1977, pp. 176, 177).

Yachtman & Seashore (1967, p. 897) advocate the use of a systems resource as a criterion to assessing OE as it: '(1) takes the organization itself as the focal frame of reference, rather than some external entity or some particular set of people;

(2) explicitly treats the relations between the organization and the environment as a central ingredient in the definition of organisational effectiveness'.

3.22.5   Goal Achievement as a Criterion for Assessing OE

The use of the term 'goal' in a goal model of OE equates "goal", "objective", "purpose", "mission", "aim", and "task" (Price, 1972, p. 3). Goals are an important element in organisational reality. They give guidance and improve people's performance (Hofstede, 1968, p. 37). Writers who discuss OE as goal attainment see it as Khan (1977, p. 236) the *raison d'être* of organisations. This criterion has its roots 'in the Weberian concept of functional rationality' (Cunningham, 1977, p. 465).

The "goal approach" has been the traditional way to assessing OE, (Yuchtman & Seashore, 1967, p.892; Price, 1972, p. 3; Georgopoulos & Tannenbaum, 1957, p. 534; Mahoney, 1967, p. B-76; Kirchhoff, 1977, p. 349; Lowe & Soo, 1980, p. 64; Campbell, 1977, p. 23; Pennings & Goodman, 1977, p. 177; Wilson & Chua, 1993, p. 316; Drury, 1996, p. 655) notwithstanding all the points raised in the literature against goal attainment as discussed in this section [see more in Section 3.23.2, Criticism of Goal Achievement Model].

Pennings & Goodman (1977, p. 161) identify components of the goal criterion as: goals and referents. Goals 'may or may not approximate a referent' and OE can be assessed by the degree to which a goal approximates or exceeds a referent [see more in Section 3.25, Characteristics of Goals Used in OE].

Assessing OE is enhanced by 'recognizing the political nature of the goal effectiveness establishment process and the assessment process itself' (Cummings, 1977, p. 58). This can be noticed in both the PB case study and in the banks surveyed where the goal-setting process involved internal politics, play of power, and dominance of top management over lower levels of management, later used in employees' performance evaluation [see discussion in Section 4.15.5, The Goal-Setting Process at PB; and Section 5.16.1, Effects of the Goal-Setting Process on Planning and Decision-Making in JCB].

3.23   Criticism to the Goal Model for Assessing OE

Criticism of the goal approach to assessing OE can be divided mainly into:

[i] criticism of the model itself where it is rejected on a theoretical level; and [ii] criticisms of how the model is applied to OE and to areas in operationlising assessment of OE neglected by the goal approach.

3.23.1 Criticism of the Goal Model on a Theoretical Level

The goal model has been criticised because 'organizational goals are essentially nothing more than courses of action imposed on the organization by various forces in its environment, rather than preferred end-states toward which the organization is striving' (Starbuck, 1965 as quoted by Yuchtman & Seashore, 1967, p. 894).

This criticism, although correct in some respects, is aimed at defining what a goal is rather than the use of the goal approach to evaluating OE. It also does not distinguish between goals as ends representing preferred end-states and goals as means necessary to achieve end-states.

The goal approach to assessing OE is rejected also on theoretical grounds, as goals do not offer the possibility of a realistic assessment. Using goal achievement as a measure of OE 'is not as objective as it seems to be' and organisations as social systems adopt goals influenced by cultural factors from the outside environment (Etzioni 1960, as quoted by Yuchtman & Seashore, 1967, p. 893).

Some of the shortcomings of the goal approach identified by Etzioni can be mitigated as it is true that goals are not as objective as they seem and are influenced by political processes in organisation (Cummings, 1977, p. 58) and by a definer's view of OE [Exhibit 3.16, Determinants of Choice of OE Attributes; and Exhibit 3.12, The Use of the Goal Model in OE]. However, realising that goals cannot be objective and understanding how goals are set is helpful in realising the limitations of this model. This appreciation of how goal achievement is measured and how the measurements and criteria used affect the meaning of OE, is important to the use of the goal model to assessing OE.

However, Etzioni's criticism of the influence of cultural factors from the external environment seems to come from an understanding of organisations as mechanistic entities unaffected by changes in the external environment. A different and more realistic understanding of organisations as organic, socially constructed open systems realises the importance of external influences on organisations and the choice of goals, processes of choice, and means of measuring them.

Another criticism finds that the identification of effectiveness with the goal approach is 'neither necessary nor productive', as OE has to do with 'an organization's ability to acquire resources and legitimacy, and to survival' (Pfeffer, 1977, p. 142). However, it could be argued that assessing organisations by their ability to acquire resources, legitimacy and survival in themselves are goals and important goals not precluding achievement of organisational goals that are as important to effective use of acquired resources.

A relevant point raised by Weick (1977, p. 216) is that processes as criteria of effectiveness should be given more attention than is done by the OE literature. Goal attainment in the goal approach on a micro-level entails effective use of acquired resources which necessarily calls for consideration of effective processes for achieving goals.

3.23.2   Criticism of How the Goal Model is Applied

The approach is criticised for not providing a rationale for identifying organisations' goals (Yuchtman & Seashore, 1967, p. 897; Price, 1972, p. 7) as a necessary condition for measuring OE, or clarifying whether goals represent ultimate criteria or goals consciously sought by organisations (Mahoney, 1967, p. B-77) or means to ends. This criticism raised a number of alternatives for identifying organisational goals: as the goals of the dominant coalition, or of an organisation's sub-units, or even goals defined by external referents [see more on which goals to measure in the goal model in Section 3.25].

The distinction is not always clear as to whether goals being sought are means or ends when assessing OE [see discussion in Section 3.25, Characteristics of Goals Used in Assessing OE]. Such distinction is of importance when considering OE through the goal approach as it hinges on correctly identifying goals that represent desired end states and not only intermediate goals/means necessary for achieving goals as desired end states.

Most definitions of OE include some normative standard against which to assess OE (Hannan & Freeman, 1977, p. 107; Scott, 1977, p. 72). Criticising the normative nature of using the goal approach, although correct on one level, ignores the basic condition of any assessment process to have benchmarks against which to measure. A point of caution in using the goal approach is not to use it indiscriminately across all

organisations or in the same organisation regardless or time and place and the specific characteristics of organisations and organisations' units.

Hannan & Freeman (1977, p. 107) argue 'that current conceptions of organizational goals do not permit the establishment of organizational preference functions with properties strong enough to justify interorganizational comparisons of goal attainment'. This point raised against the goal model does not go with the nature of the approach, and relates to the previous point raised on the normative nature of the goal approach. The nature of goal-setting processes in organisations involves philosophical stands, preferences, and attitudes of managements in addition to the specifics of the internal and external environments of organisations which calls for approaching interorganisational comparisons with much caution as it might mean comparing different things.

A further argument put forward by Hannan & Freeman (1977, p. 114) when measuring attainment of goals is that other difficulties arise from 'non-specifity of so many goals, it will often be unclear exactly what organizational action or what dimensions of outputs are relevant to goal attainment'. This unclear relation between outcomes/goals and action or processes involved was observed and commented on by interviewees in the PB case study and in the survey. It was explained by the nature of the interdependence of banks' departments and responsibilities of individual managers [see Section 4.18, Role of MAS in Providing Information on Performance Evaluation at PB; Section 5.20.2, Performance Evaluation in JCB; Section 3.25, Characteristics of Goals Used in the Goal Model for Assessing OE].

In spite of the difficulties, whether theoretical or methodological, with the goal achievement approach the concept of organisational goals should not be rejected *in toto* (Yuchtman & Seashore, 1967, p. 895).

3.24   The Goal Model in Evaluating OE

As this research adopts a goal attainment approach to assessing OE, further elaboration of the goal approach is discussed below looking into types and nature of goals as used in literature, and lastly measures of OE.

Campbell (1977, p. 48) notes, that in a goal model, it is assumed *if an organisation does not know what it is trying to achieve*, 'then it really does not know how to structure or staff itself or assess its performance'. However, this is not an easy task

and a 'challenging problem for managers and researchers' (Cunningham, 1977, p. 463).

A second issue when discussing which goals to measure is 'whose perspective should dominate in the use of criteria' as this 'determines the type of criteria and the level of effectiveness desired' (Goodman & Pennings, 1977, p. 5).

3.24.1   Goals of the Dominant Coalition

OE research was heavily influenced by organisation theories, the most widely used level of OE assessment was the organisational level and, consequently, the choice of corporate goals, which are defined by the dominant coalition in management.

Pennings & Goodman (1977, p. 161) advocate the use of organisational goals as they 'represent desired end states specified by the dominant coalition'. The use of organisational goals to assess effectiveness is shared by Yuchtman & Seashore (1967, p. 892), Hall (1972, p. 79), Price (1972, p. 6), Cummings (1977, p. 58), Mahoney & Weitzel (1969, p. 357), Lowe & Soo (1980, pp. 63-64, 68), Khan (1977, p. 241), Otley (1995, p. 55), Vanderbosch & Huff (1997, p. 104) among others. Such goals could be as put forth in an organisation's charter, annual reports, manuals, public statement by key executives and other authoritative pronouncements (Cunningham, 1977, p. 465; Lowe & Soo, 1980, p. 65).

Some researchers disagree and find this 'singular focus upon the dominant coalition as the ultimate definer of priority values for the organization may prove to be unduly restrictive' (Seashore, 1981, p. 190). Researchers also disagree on who represents the dominant coalition, whether it is owners of the firm, or the managers as their representatives, or both parties pooled together to form an agreement upon penultimate goals (Seashore, 1965, p. 29).

The problem with Seashore's suggestion is that 'managers of an organization do not wholly agree among themselves about the organizational goals: in addition it is not certain that these goals, even if agreed upon, would prevail' (Yuchtman & Seashore, 1967, p. 894). A similar situation was observed in PB where managers could not agree on what were the corporate goals they were trying to achieve [see Section 4.15.2, Corporate Goals of PB; and Exhibit 4.16, A Comparison of the Interviewees' Answers with Corporate Goals as Published in Annual Reports (1994- 1998)]. A further matter to consider is managers' personal preferences and values could

influence goals implementation through power play and internal politics, and agency issues [see Section 4.10.3, Internal Politics at PB].

When using top management goals for measuring OE 'such statements of objectives may idealize, rationalize, distort, omit, or even conceal some essential aspects of the functioning of the organizations' (Katz & Khan, 1966, as quoted by Yuchtman & Seashore, 1967, p. 893) as was observed in the PB case study where the study did not show indications of one of the corporate goals relating to employees' training and development. This might be true in certain situations and undermines the use of the goal model in assessing OE, although a similar criticism can be directed at the use of goals inferred by researchers.

3.24.2 A Conglomerate of Sub-Unit Goals

This approach as to which goals to measure in assessing OE finds that goals used in a goal model are best represented by a conglomerate of departmental goals. This conglomerate of departmental goals reflect what the whole organisation is trying to achieve (Seashore, 1965, p. 29; Pennings & Goodman, 1977, p. 149):

> 'organizations as a conglomerate of subunits have several advantages: It enlarges the scope of the concept of effectiveness by not focusing exclusively on output parameters such as sales...organizational effectiveness is likely to be a function of the degree to which the subunits meet their task requirements as well as the extent to which their activities are coordinated' (Pennings & Goodman, 1977, p. 149).

In the PB case study and the survey, interviewees from departments and sub-departments did not always show a clear awareness of their unit goals [see discussion in Section 4.15.4, Characteristics of Departmental Goals at PB; and Section 5.16.2, Conflict between Departmental/Branches' Goals and Corporate Goals in JCB]. Such a situation makes using a conglomerate of subunits' goals approach not feasible. Using this approach can be helpful when sub-units' goals are in harmony and faithfully reflect the whole of the organisation's future paths.

3.24.3 Goals Defined by External Referents

This approach looks outside organisations for goals as opposed to the previous two approaches where goals where decided from within an organisation. Using an external referent in the goal model of OE could have its advantages when comparing and evaluating an organisation's performance relative to competition and/or the industry. But such an approach lacks relevance as it does not take into consideration internal

goals and processes. For this some researchers in OE do not find the idea that OE criteria defined by an outside investigator through induction or deduction as useful (Yuchtman & Seashore, 1967, p. 901; Pennings & Goodman, 1977, p. 152). Furthermore, assuming similarities in internal and external environments of different organisations and using a one-for-all measure may not provide useful and meaningful evaluations and comparisons.

The concept of relativity in assessing OE has been endorsed in OE literature (Yuchtman & Seashore, 1967, p. 901; Pfeffer, 1977, p. 133; Hopwood, 1979 as quoted by Humphrey & Olson, 1995, p. 364). However, comparing organisations with one another (Yuchtman & Seashore, 1967, p. 901) has to be treated with caution. Evaluation of goal attainment and OE are not meaningful across organisations as goals differ in the ways in which organisations set them and measure their attainment, therefore comparing OE across organisations is untestable (Hannan & Freeman 1977, p. 111). Added to that the difficulties raised by 'the shifting nature of goals within units of organizations' (Hannan & Freeman, 1977, p. 126).

Furthermore, compared organisations might be at different stages in their life cycles, which raise the point of appropriateness of simply comparing different organisations at differing stages of development (Quinn & Cameron, 1983, p. 44). All the above explains the phrase there is 'no such thing as effectiveness *per se*' (Hopwood, 1979 as quoted by Humphrey & Olson, 1995, p. 364).

3.24.4   Social Goals

In addition to corporate goals whether decided by a dominant coalition or by managers of individual units, social goals are suggested by some researchers. According to Kirchhoff (1977, p. 349) goals are always derived from society as selected by the evaluator.   Khan (1977, pp. 245-246) points out the relevance of considering the contribution of an organisation to the larger society of which it is a part as a criterion of importance.

Social responsibility and social interests (Yuchtman & Seashore, 1967, p. 895; Lowe & Soo, 1980, p. 64; Pfeffer, 1977, p. 142; Johnson, 1983, p. 145; Lovell, 2002, p. 158) is now of more importance than it was for earlier research from the 1950s to the 1980s as we enter an area where production and social responsibility ought to complement one another. When defining goals for organisations from the different perspectives of definers, including social goals is a much more relevant issue to

consider and incorporate with other organisations' goals. This acknowledgement of social goals is needed to underline social responsibility for scarce resources and social justice in disposing of them.

3.25   Characteristics of Goals Used in OE

Goals are 'by definition many things to many people', shaped not only by wishes of organisational actors, but also by internal and external environments of the organisation (Hall, 1972, pp. 80, 88). Organisations have a number of goals that can at times be contradictory and which call for designing systems 'which have the capability of handling explicit contradictions' (Mitroff & Mason, 1983, p.196) if the MAS design is to be of any relevance for the user.

There are different tiers of goals with strategic goals at the top of the pyramid guiding corporate goals and the more detailed operational goals found in annual budgets at the base of the pyramid. The PB case study deals with corporate or managerial goals which given the high abstraction of strategic goals, become ends in themselves (Hall, 1972, p. 84; Otley, 1995, p. 55).

Different types of goals are used in organisations: motivational goals or ideological goals to supply incentives to participants, goals as guides to participants' efforts, goals as criteria for identifying and appraising selected aspects of organisational functioning (Scott, 1977, pp. 64-65). Some goals are closely related to the 'ends' or formal objectives of the organisation, others are adopted because they are thought to be 'necessary means or conditions for achieving the main goals of the organization' (Seashore, 1965, p. 27; Campbell, 1977, p. 48).

Goals cannot also be perceived as objective and are not outside the internal politics in organisations, and are often **controversial** (Scott, 1981, p. 89). Added to that, goals **seldom remain constant** over time (Seashore & Yuchtman, 1967, p. 378; Hall, 1972, p. 82; Cunningham, 1977, p. 469; Scott, 1977, p. 74, Emmanuel et al., 1990, p. 32) as they evolve with changes in internal and external environments, as well as the changing priorities which managements give them.

Goals also have time reference (Seashore, 1965, p. 27), meaning criteria for past time period, others for current states, and still others for the future periods. Seashore (1965, p. 27-28) depicts these goals as:

> 'a pyramid shaped hierarchy: at the top is the 'ultimate criterion' – some connection
> of the net performance of the organization over a long span of time in achieving its

formal objectives...the 'ultimate criterion' is never measured (except by historians)...In the middle are the penultimate criteria, these are the shorter run performance factors or dimensions comprised by the ultimate criterion. They are "output" or "results" criterion things sought for their own value and having trade-off value in relation to each other...at the bottom of the hierarchy...concerning the conditions associated with high achievement on each of the penultimate criteria. The number of criteria in this class is very large...and they are interrelated in a complex network that includes causal, interactional and modifier types of relationships'.

The time scale is not always clear with published public corporate goals with implications on assessing OE. There are goals that organisations aim to achieve in the short-run and others in the long-run goals (Likert & Seashore, 1965, as quoted by Hofstede, 1968, pp. 50-51; Scott, 1977, p. 74; Pennings & Goodman, 1977, p. 164; Hannan & Freeman, 1977, p. 113).

The **Relative importance of goals** is not the same across organisations even if similar goals are found in organisations. Goals may not be entirely unique to each organisation. But contingency theory suggests different circumstances (e.g., different industries) may require different goal priorities (Kirchhoff, 1977, p. 351; Kraft et al., 1996, pp. 104,111). [The relevance of a contingency approach to OE is discussed in the different approaches to the goal model. See more in Section 3.25, Characteristics of Goals Used in the Goal Model for Assessing OE].

When choosing goals in the goal model many researchers advocate **multiplicity of corporate goals** and the different weightings given to each (Seashore & Yuchtman, 1967, p. 378; Hall, 1972, p. 96; Steers, 1975, p. 555; Kirchhoff, 1977, p. 349; Pennings & Goodman 1977, p. 165; Hannan & Freedman, 1977, p. 112; Lewin & Minton, 1986, p. 528; Emmanuel et al., 1990, p. 32; Wilson & Chua, 1993, p. 318; Davis & Pett, 2002, p. 88) as well as 'hard versus 'soft' goals.

There is also evidence to show that organisations often simultaneously seek goals which could **conflict with one another** (Seashore & Yuchtman, 1967, p. 378; Lowe & Soo, 1980, p. 65; Emmanuel et al., 1990, p. 32). This could mean effectiveness in one endeavour leads to ineffectiveness in another (Hall, 1972, p. 96) compounded when the more complex the organisation 'in terms of operative goals the more difficult the effectiveness issue becomes' (Hall, 1972, p. 98).

Furthermore, organisations have **operative and private goals** (Cunningham, 1977, p. 465; Hannan & Freeman, 1977, p. 112). Gross (1969 as quoted by Price, 1972, p. 6) takes the discussion of operative goals still further by arguing that not only public corporate goals need to be taken into consideration but also "intentions" and

"activities", i.e. what participants are trying to achieve, what activities persons in the organisation are observed to be doing, and involve verbal statements or inferences.

Identification of which goals to measure is of great significance for using goal achievement as a measure of OE in that 'effectiveness is well defined only if both goals and outcomes are well defined and the comparison of the two is meaningful' (Hannan & Freeman, 1981, p. 111).

The following section discusses defining outcomes i.e. how measurement of OE is discussed in the literature.

3.26 Measurements of OE

With the multiplicity of corporate goals and the different weightings given to each (Lewin & Minton, 1986, p. 528; Wilson & Chua, 1993, p. 318) and the availability of results, measuring OE becomes complex. OE has plagued academicians for 40 years in terms of its conceptualisation and measurement as it did for managers (Kraft et al., 1996, p. 102) [Exhibit 3.18, Suggested Measures of OE in the Literature]. However, measurements 'are necessary to a definition of organizational effectiveness' (Lowe & Soo, 1980, p. 68).

Lewin & Minton (1986, p. 532) feel that any progress in developing a cumulative theory of OE 'will depend on progress in the development of effectiveness measurement tools as distinct from criteria or indicators of effectiveness'. Lewin & Minton's comment refers to the difficulty in operationlisation of OE i.e. to identify and select tangible measures to evaluate an abstract intangible OE. The choice of measures must provide 'a rationale or empirical defence of why criteria chosen represent a true measure of effectiveness, and why the model should be applied to other organizations' (Steers, 1975, p. 550).

Measuring OE in service industries 'is particularly difficult' due to customer participation involvement (Bowen & Jones, 1986, as quoted by Kraft et al., 1996, p. 105), and where output is intangible in terms of count and quality. Kraft et al. (1996, p. 105) mention other difficulties in services industries discussed by other writers as: perishability, heterogeneity, production/consumption simultaneity, and labour intensity. When end goals are difficult to measure and that is more often the case than not, goals as means are used instead and their use serves 'as quintessential indicators of effectiveness' Scott (1977, p. 75).

Partly because of the formidable difficulties in assessing outcomes, Scott (1981, p. 81) remarks that other types of **indicators of OE, such as processes** (Weick, 1977, p. 216, Scott, 1977, p. 82), **standards and structures** are used (Scott, 1977, pp. 82, 84).

Researchers differed on whether measures of OE should be **externally or internally derived**. Measures of OE 'must be based on organizational means and ends, rather than relying on externally derived criteria' (Georgopoulos and Tannenbaum, 1957), whereas Yachtman & Seashore (1967, p. 901) endorse taking the interests of various groups both within and outside of the organisation to develop and articulate preferences.

Researchers also differed on whether to use **single or multiple measures**. The use of multiple measures was advocated by many (Seashore & Yuchtman, 1967, p. 378; Hall, 1972, p. 91; Steers, 1975, p. 547; Wilson & Chua, 1993, p. 318). The measures need to be always a multiple relative measure independent of one another yet correlated to ensure comprehensiveness and explain more variations in OE. However, these multiple measures are combined by subjective means of combining multiple measures (Lewin & Minton, 1986, p. 528), and have a **trade-off value** in relation to one another (Seashore & Yuchtman, 1967, p. 378; Davis & Pett, 2002, p. 88).

To measure the effectiveness of organisations having similarities and dissimilarities no single indicator of effectiveness or even a group of common indicators can be used across organizations (Hall, 1972, p. 100; Steers, 1975, p. 547). Some of the measures would be universal and some unique to the specific organisation (Seashore & Yuchtman, 1967, p. 379).

Scott also finds that **different measures of OE for different uses** should be used for particular features of organisations and systems in organisation.

Seashore (1965, p. 27) suggests two types of values for OE measurements: the first, **linear** where more is better, **and** the second, **curvilinear** where an optimum is to be achieved rather than more or less of the measured value.

Financial and non-financial measures are of equal importance to OE measurement. However, non-financial measures did not have a prominent place in organisations (Seashore, 1965, p. 5) until the 1980s although, non-financial measures reflect aspects of OE that financial measures do not (Hall, 1972, p. 267; Kaplan, 1984, p. 413; Otley, 1995, p. 56). Traditional accounting systems have focused on internal cost data, but internal non-cost performance data such as design, percentage of work force cross-

trained, new product introductions, first-class quality, product complexity, number of product changes need to be considered as well (Palmer, 1992, p. 194).

Measurement of OE involves a number of issues: (1) the time horizon – short- versus long-term - (Markus & Pfeffer, 1983, p. 209; Hall, 1972, p. 80); (2) the use of multiple measures in determining OE as advocated by Hall (1972, p. 80) to escape achieving easily measured aspects. Composite financial ratios such as ROA, ROI, RI, sales growth, profit margin, market share, can reflect the efficiency and effectiveness of organisational performance (Mouritsen, 1995, p. 308; Markus & Pfeffer, 1983, p. 208)

Mahoney (1967, p. B-84) notes that 'managers in different industries, companies, and organizational environments share to a considerable extent a common framework for judging organizational effectiveness'.

> 'business managers tend to use productivity and efficient performance as close substitutes for the ultimate criterion of effectiveness...one might infer from the general business model that the concept of the ultimate criterion parallels closely the economic criteria of profit, productivity, and efficiency. Organizational and behavioral characteristics are perceived to be related to the economic criteria and somewhat predictive of them' (Mahoney & Weitzel, 1969, p. 362).

However, Davis & Pett (2002, p. 88) agree that in spite of 'longstanding theoretical and empirical arguments to the contrary, strategy researchers continue to follow the well-established practice of focusing on narrowly-defined ratios of inputs and outputs (e.g. Return on Assets) as the primary empirical referent of organizational performance'.

From the previous discussion one can elicit that, for measurements of OE to produce useful and meaningful results, measures of OE need to reflect a variety of organisational aspects: the life cycle of a firm in terms of size and growth (micro measures), the need for trade-offs among organisational goals, the environment in which an organisation operates and the particular industry (macro measures), the corporate culture, the particular perspective(s) of the evaluation, as well as the social perspectives in organisations. The use of different criteria of OE for different units within an organisation need to be addressed i.e. comprehensiveness and flexibility, to acknowledge the dynamic nature of OE, and the attempt to reach homeostasis both internally within an organisation and externally within a larger external environment.

Exhibit 3.18

Suggested Measures of OE in the Literature

	Measure	Reference
1	Profit	Georgopoulos, 1965, p. 168; Seashore, 1965, p. 28; Mahoney & Weitzel, 1969, p. 364; Hall, 1972, p. 127; Simon, 1977, p. 125; Lewin & Minton, 1986, p. 531; Hofstede, 1968,p. 3; Campbell, 1977, p. 36; Markus & Pfeffer, 1983, Emmanuel et al., 1990, p. 33; Wilson & Chua, 1993, p. 316; Mouristen, 1995, p. 308; Slagmulder, 1997, p. 109
2	Sales	Seashore, 1965, p. 28; Lewin & Minton, 1986, p. 531, Emmanuel et al., 1990, p. 33; Helliar et al., 2002, p. 32; Kraft et al., 1996.
3	Rate of return on investment	Kichhoff, 1977, Campbell, 1977, p. 36; p. 351; Lewin & Minton, 1986, p. 531; Emmanuel et al., 1990, p. 33; Mouristen, 1995, p. 308.
4	Return on assets	Markus & Pfeffer, 1983
5	Return on risk-adjusted capital	Helliar et al., 2002, p. 39
6	Residual income	Mouristen, 1995, p. 308
7	Productivity	Mahoney & Weitzel, 1969, p. 362; Steers, 1975, p. 549
8	Average return on total capital	Peters & Waterman, 1995, p. 23
9	Market share	Seashore & Yuchtman, 1967, p. 391; Yuchtman & Seashore, 1967, p. 897; Lewin & Minton, 1986, p. 531; Emmanuel et al., 1990, p. 33; Slagmulder, 1997, p. 109; Kraft et al., 1996.
10	Growth	Seashore, 1965, p. 28; Campbell, 1977, pp. 36-37; Markus & Pfeffer, 1983; Emmanuel et al., 1990, p. 33; Slagmulder, 1997. p. 109
11	Sales growth	Campbell, 1977, p. 36-37; Emmanuel et al., 1990, p. 33; Mouristen, 1995, p. 308.
12	Employee satisfaction	Seashore, 1965, p. 28; Campbell, 1977, p. 36-37; Emmanuel et al., 1990, p. 33; Kaplan & Norton, 1993, p. 140; Anderson & Lanen, 1999, p. 400
13	Customer satisfaction	Seashore, 1965, p. 28; Kaplan & Norton, 1993, p. 140; Slagmulder, 1997, p. 109; Anderson & Lanen, 1999, p. 400
14	Quality, cost/quality	Campbell, 1977, p. 36; Mabberley, 1992, p. 105; Palmer, 1992, p. 194; Anderson & Lanen, 1999, p. 400
15	Efficiency	Campbell, 1977, p. 36-37; Mahoney & Weitzel, 1969, p. 362
16	Frequency of accidents	Campbell, 1977, p. 36-37
17	Absenteeism	Campbell, 1977, p. 36-37
18	Employee turnover	Campbell, 1977, p. 37; Lewin & Minton, 1986, p. 531
19	Participation	Campbell, 1977, p. 39; Lewin & Minton, 1986, p. 531
		132 A

20	Stability	Campbell, 1981, p. 39; Lewin & Minton, 1986, p. 531
21	Low production costs	Seashore & Yuchtman, 1967, p. 391; Anderson & Lanen, 1999, p. 400
22	Customer profitability	Mabberley, 1992, p. 13; Helliar et al. 2002, p.
23	Innovation/ adaptability and flexibility	Steers, 1975, p. 549; Mabberley, 1992, p. 109; Palmer, 1992, p. 194; Kaplan & Norton, 1993, p. 140;
24	Adaptability to changing circumstances	Emmanuel et al., 1990, p. 33
25	Compound asset and equity growth	Peters & Waterman, 1995, p. 22
26	Social responsibility	Emmanuel et al., 1990, p. 33
27	Average return on equity and sales	Peters & Waterman, 1995, p. 23

3.27 The Literature and the Research Project

It was argued at the start that MAR has been creative and adaptive and borrowed from neighbouring disciplines such as economics, sociology, psychology, social psychology, and management. The same is true with regard to OE; OE has been an expanding concept, there are a number of ways of defining it using a microeconomic , goal achievement, social , psychological or financial perspective. The review of OE literature also showed the variety of measures that can be used such as profit, sales, ROI, ROA, return on risk-adjusted capital, and employee satisfaction to mention some. The review also showed that the goal achievement approach adopted in the empirical study is far from being one-dimensional or mechanistic. Both these broad understandings (of MAS and OE) derived from the literature review have informed the design and execution of our research.

MAS is treated in the empirical research in a broad, flexible and inclusive way. The context of PB is constantly relevant to the analysed data. The analysis of the PB case study shows the impact the history of PB had on the design, implementation, and operation of MAS, and on the setting and choice of goals at PB which in turn affected OE measures. This also expands on the literature on the influence of economic and market realities and changes on the historical development of MA practice.

The research continues the move towards the organisational and social roles of accounting compared to the earlier MAR which was influenced by psychological perspectives. It emphasises the difficulty in seeking universal findings that were sought that would suggest the one best way of MAS and the significance and relevance of context.

In another aspect the research links to the literature in highlighting the distinctiveness of the organisation as an identifiable social structure or entity, and the interdependency of functions and processes that relate the organisation to its environment/ Jordanian context.

This research attempts to expand and develop previous MAR in studying the effect of contingent variables of MAS design such as environment, technology, culture, organisational structure on broad features of organisational structure and control and their interaction with single characteristics of an organisation [see discussion in Section 3.7.3, Contingency Theory in MA]. The research continues MAR on the relationship between organizational structures and MAS variables. It highlights

elements in organisational structure that were identified by the managers interviewed as being of significance in the operation of MAS.

This research, in line with BAR recognises the impact of people on technology and structure and that humans do not react in a consistent and predictive way. The research continues MAR literature in that MA practices are not techniques that can be abstracted from the general milieu of social life but are part of the complex structure of the in internal and external environment and social life. By asking the interviewees questions not only about what info/data was used but also what managers thought of it and how they used it, the research and the pilot study attempted to look into social science and management understanding beyond formal accounting. In looking at the role of MAS in enhancing OE this research discusses behavioural issues implicated in the design, implementation, and operation of MAS such as participation in the design of MAS and MAS reports, the flow of information, internal politics, and the use of performance evaluation in motivation.

The use of multi-methods in collecting data in the PB case study i.e., interviews, documentation, observation, external writings about PB, is an attempt at applying the concept of an inclusive development of MA practice as discussed in Section 3.1 Historical Developments of MA Practises. This approach is also pursued in the use of a broad base of interviewees from different (hierarchical) levels, from branches and from head office, different functions (credit, deposits, finance, and branches) – putting it into the whole organisation context to show the influence of the organisational behaviour contribution in the literature. Thus we have taken a formal accounting issue, MAS, and contexted it managerially and organisationally.

MA information when available in organisations can be used and be of use not only to managers within organisations. The research provides more insights to previous MAR in that generalisation on the ways in which people process information is problematic. The managers interviewed from different functions in JCB clearly showed differences not only in the type of MAS information they identified as of importance to their work but also in the ways they use it [see Section 3.11.2 Human Information Processing (HIP) theory in MAR]. By doing so this research develops the literature that calls for fostering a closer working and interactive relationship between MA researchers and MA practitioners. The research expands on social theory in MAR providing a framework by observing from analysed data the interaction between MAS users and initiators on the one hand, and of MAS and organisational

structure on the other. It also expands on previous MAR in supporting the effect of organisational life on shaping and changing accounting roles [see more on this in Section 3.5, Defining MA].

In investigating the role of MAS in enhancing OE in a Jordanian context, this research expands and develops the literature on how organisations can be seen as open systems comprising various sub-systems that individually and jointly determine OE. It highlights through an empirical study the relevance of the approach of other MAR in viewing OE as complex and multi-dimensional whether by measuring OE in the PB case study using composite financial measures independent of one another yet correlated to ensure comprehensiveness (ROA, deposits growth, profit growth, market share...) far from mechanistic solutions, or by highlighting the significance of using non-financial measures in measuring OE.

In a related area the research expands on the literature on the goal model showing how the measurements and criteria used affect the meaning of OE. As the nature of goal-setting processes in organisations involve philosophical stands, preferences, and attitudes of management in addition to the specifics of the internal and external environments of organisations that affect OE measurements. We are thereby continuing the approach to interorganisational comparisons with much caution as it might mean comparing different things.

In discussing the role of MAS in enhancing OE this research continues the literature in that processes as criteria of effectiveness should be given more attention than is done by the OE literature, as processing of planning and control are analysed and assessed in the PB case study and the survey.

The research highlights barriers to the achievements of OE whether relating to IT systems employed by PB, or the process of goal-setting, or diffusion of MAS information to PB managers. It expands and develops the unclear relation between outcomes/goals and action or processes involved as observed and commented on by interviewees in the PB case study and in the survey, which was explained by the nature of the interdependence of banks' departments and responsibilities of individual managers

The impact of ideas derived from the literature on the scope and execution of the research, which is briefly and selectively indicated in this short section, will hopefully evolve more comprehensively in the discussion of the empirical research in the following chapters.

3.28   Summary of Chapter 3

Prior to 1950 the term 'management accounting' was used rarely. The earliest published researched use of a cost calculation technique reported in the accounting literature, as published in the English language, was in the early 1800s in the Soho Engineering Foundry of Bolton in Britain. Managers, engineers and accountants in those firms devised new means to replace labour conversion cost supplied until then by the market and the price system in the form of piece-rates. The emergence of new forms of non-market organisations called for new MA techniques for evaluation of performance and the effectiveness of administrative coordination and not only processes of production.

Looking back at the historical development of MA practice one finds that it was influenced by economic and market realities and changes, by organisational changes/types of firms; by social realities affecting society in general and certain industries in particular; by political changes as well by cultural contexts; also by developments in related disciplines.

MA was influenced by three main theories: economic theories, behavioural theories, and social theories. However, a number of researchers believe that there is no MA theory.

Informed by economic theories, MAR until the late 1970s attempted to provide models and techniques to programme decision-making and control processes

Methods used in MAR in the 1980s included the use of descriptive field research, and field studies that focus on developing evidence that either supports or contradicts an existing theory. There were also calls for opening up to different approaches in MAR and the use of more case studies.

The 1990s was an era when MAR took a more open and pluralist perspective after going through self-assessment in the 1980s and expanded with the introduction of new theoretical approaches and a growing use of field-based research methods.

MAS has numerous roles in organisations which an be broadly divided into roles in planning and decision-making such as in communicating corporate culture and being an agent of change, and roles in control such as maintaining organisational integrity and affecting employees' behaviour. All those roles can be linked to OE.

MAS are defined/described by researchers in a number of ways. Some definitions stress a strictly functional orientation while others show the subtleties of roles of

MAS in organisation as interpretive schemes used to communicate values and ideals and to coordinate and control.

MAS design influenced by economic-based theories emphasise the technical orientation and evaluation of technical efficiency of processes. The introduction of information economics in the 1970s to MA highlighted the costs and benefits of information systems. The employment of agency theory in the 1970s into MAS, provided a better framework for multi-person information system choice than other economic theories as well as acknowledging the problems of uncertainty and asymmetry of information between principal and agent. Behavioural approaches incorporating into MAS design technical elements of a system with the social influences of the human element i.e. a socio-technical system. In applying contingency theories some researchers have sought to uncover direct relationships between contextual factors and organisations' accounting and information systems and design effectiveness.

The literature review of OE highlights some of the problems in defining OE, the different criteria used in assessing it as a construct that has not only different meanings and attributes but is measured in different ways.

There are five main criteria suggested by researchers to assessing OE: allocation of resources, survival of organisations, adaptability and flexibility, resources acquisition, and goal achievement. The goal model for assessing OE has to answer the questions of which goals to measure? whose perspective should dominate? as this will determine the type of criteria and the level of effectiveness desired.

CHAPTER 4

CASE STUDY OF PHOENIX BANK (PB)

Phoenix: Mythical bird of the Arabian Desert, said to live for several hundred years
before burning itself and rising again born from its ashes
(Oxford Dictionary, encyclopedic edition, 1994, p. 671).

PART I   CASE STUDY RESEARCH METHOD

4.1 Historical Background of PB

PB was first registered in May 1977 as a plc in Jordan with a capital of JD 5 millions
[JD 0.60 = STG 1, CBJ *Annual Report* 1987 (first annual report published); JD 1.025
= STG 1, CBJ 2001 *Annual Report (when the survey was carried out)*]. It started
operating with 14 employees working in a single branch. Ten years later, and by the
end of 1988 total assets of PB were JD 135.5 million, total deposits JD 117.6 million,
and total facilities JD 73.6 millions. The number of employees had risen to 533 and
the number of branches to 21 [Exhibit 4.1, PB Total Assets from 1978-2001].

In 1983 Jordan was starting to be affected by a recession that hit the whole area. The
recession affected PB as well as other Jordanian banks and a number of them faced
financial difficulties. In 1989, although the profit & loss account of PB showed a
profit, the balance sheet concealed a real loss of JD 30 million or three times the
shareholders' equity (Malki, 1997, p. 23). The balance sheet showed an over-stated
credit facilities figure most of which were bad and doubtful debts. That year marked
the beginning of the dark days of PB.

In that same year more than one Jordanian bank had serious financial difficulties and
some were subsequently liquidated. In this threatening economic atmosphere the
governor of the Central Bank of Jordan (CBJ) decided to relieve the board of directors
and general manager of PB of their duties and in August 1989 merged PB with
another faltering bank. The Economic Security Commission approved the governor's
decision and a management committee for PB was appointed by CBJ.

After less than a year (on 10 July 1990), CBJ rescinded its decision and annulled the
merger as it was found to be not feasible and not in PB's best interests.

PB was to face still another historical event in its life. On 2 June 1992, CBJ decided to
merge PB with yet another faltering bank. During this time CBJ was looking for local
and foreign investors to buy the new entity made up of the merger of the two banks.
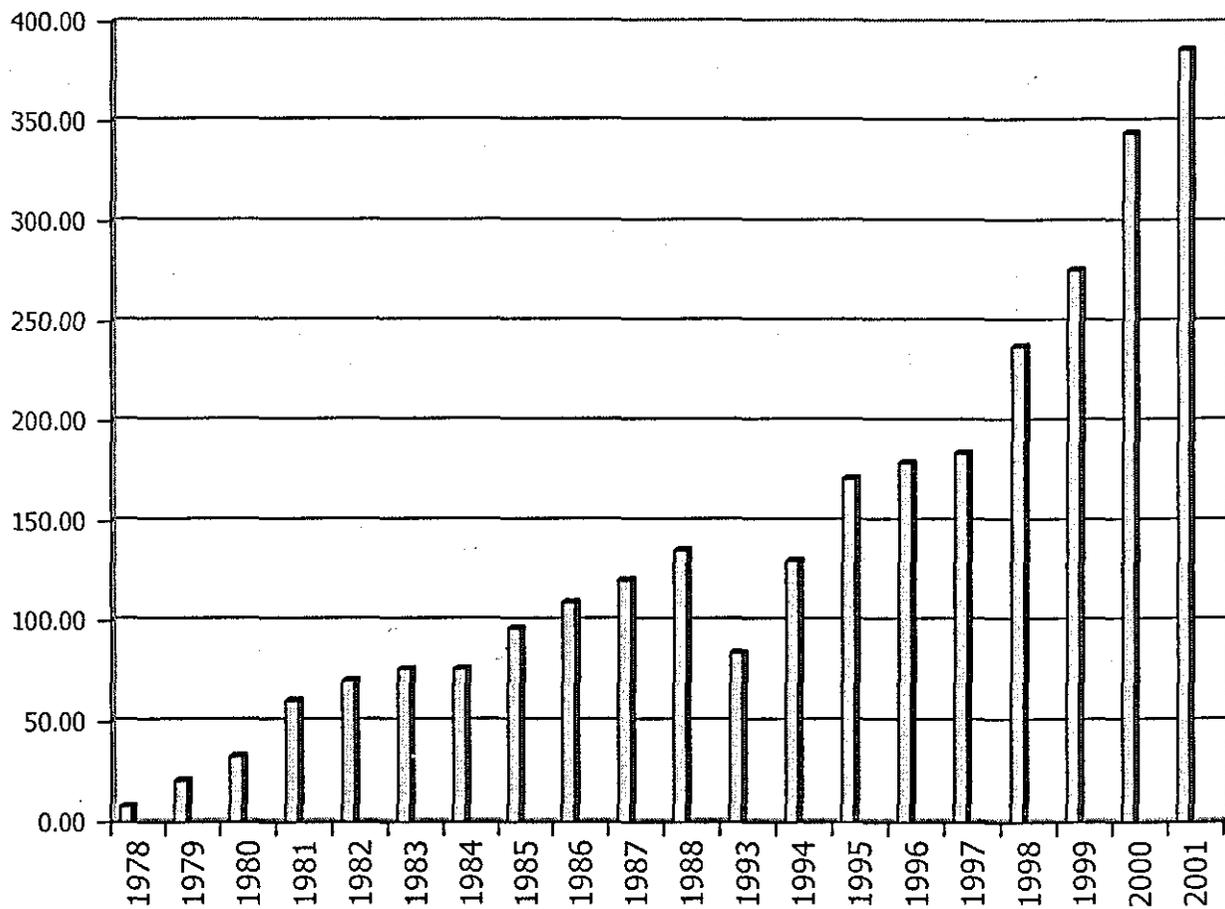
Exhibit 4.1
PB Total Assets from 1978 – 2001 (JD million)
From 1989-1993 PB did not publish accounts

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
7.9	20.8	32.8	60.6	70.1	75.8	76	96.2	109.2	120.5
1988	1993	1994	1995	1996	1997	1998	1999	2000	2001
135.5	84.1	130.4	171.5	179.5	183.4	238	276	344.5	386.5

In February 1993 a group of investors from Jordan and abroad submitted an offer to buy PB (Malki, 1997, p. 33). The deal went through and PB was sold.

In May 1993 the combined balance sheet of the newly-formed PB after the merger showed an accumulated loss of almost 65 million Jordanian dinars. A new board of directors was elected and a general manager was appointed for the first time since CBJ took over PB in August 1989.

During the period 1993-1997 three general managers were appointed: the third was the general manager who took part in this study. There were also changes in the board of directors, chairmen, and vice-chairmen.

When the new general manager was appointed in July 1997 he made a number of organisational changes. He appointed a new management team, started a restructuring stage, and cut the number of employees to around 400 (on 31/12/1997) to rise to more than 600 employees on 31/12/1999. Out of 13 senior head office department managers eight were newly appointed and comprises 62 % of the management team during the time the study took place at PB [Exhibit 4.2, List of PB Interviews].

Changes were also introduced to PB's organisational structure. New departments were formed such as the Credit Control Department, others were closed such as the Research and Development and Public Relations Department, and others were closed to be re-instituted a year later such as Branches Affairs [Exhibits 4.3 and 4.4, Organisational Charts for 1998 and 1999]. Authorities and responsibilities of managers were also changed as in the case of the first assistant general manager, and assistant manager for branches affairs.

A number of reasons were responsible for the frequent changes. It seemed that the closing of certain departments had caused a gap in the communication channels as a result of a cut in the chain of command. On the other hand, suggested alternatives were not developed enough to fill in the gap caused by the absence of closed departments. Some negative effects of the changes might have been augmented further by what can be described by 'old habits die hard' as certain managers hung on to what they were used to and did not adapt to the new changes.

The new general manager centralised some of the banking services in the head office departments like centralising letters of credit, transfers, and credit facilities. The rationale was that the centralised departments would render their services with an improved degree of control and co-ordination. However, he gave branch managers higher authorisation levels than they previously had in authorising credit.

Exhibit 4.2
List of PB Interviewees According to Date of Employment

	Position	Employment
1	Branch manager	1978
2	Treasury manager/Investment & external relations manager	1979
3	Branch manager	1981
4	Training & personnel manager	1985
5	Assistant general manager for finance & personnel	1987
6	Information technology manager	1994
7	Branch manager	1994
8	Internal audit manager	1995
9	General manager	1997
10	Follow-up & collection manager	1997
11	Credit control manager	1997
12	Organisation & banking operations manager	1997
13	Credit & marketing executive manager	1997
14	Research & development manager	1998
15	Corporate credit facilities manager	1998
16	Legal department manager	1999

At the time of the study, PB's 1999 annual report showed total assets of JD 276 millions, total deposits of JD 218 millions, and net total amount of credit facilities of JD 143.8 millions. The number of employees at the end of 1999 exceeded 600 and the capital was JD 33.3 million [Exhibit 4.1, PB Total Assts From 1978-2001]. Since the appointment of the new management team one branch was opened making a total of 31 branches and cash offices in Jordan and Palestine.

4.2   Case Study of PB

The case study of PB investigates the role of MAS in enhancing OE in a Jordanian commercial bank. With reference to the literature review on the role of MAS [see Section 3.15, Role of MAS in Organisations], the case study investigation at PB sheds light on the role of MAS in enhancing OE in a different cultural setting (Hopwood & Bromwich, 1984, p. 10). The description provided by the study allows insight into the role of MAS at PB in general and during the restructuring stage although this was not the main focus of the study (Bromwich & Bhimani, 1994, p. 247; Otley, 1984, pp. 12, 147).

The study of the MAS at PB looked into the characteristics and operation of MAS employed and factors behind its design, the organisational structure of PB, the channels and methods of communication used. It also included the content, characteristics, and use of MAS reports in the areas of planning, decision-making and control.

The case study involves a single setting with the aim of further investigating similar issues in all JCB in a second phase of the research looking into the role of MAS in enhancing OE in JCB.

OE was investigated at the organisational level rather than through a perspective of a particular system or systems within PB. The interpretation of OE used was that of goal achievement [see discussion in Section 3.18, Controversy over Defining OE; and Section 3.22.5, OE as Goal Achievement].

It is hoped that the case study would be of direct or potential relevance for both academic and non-academic audiences.

A pilot study was done in the research area of interest prior to the case study investigation. The pilot study helped in familiarising me with the banking sector and the way Jordanian banks employ MA.

Exhibit 4.3   PB Organisation Chart 1998

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                            ┌──────────────┐          ┌──────────────────┐
                            │   Chairman   │──────────│  Board secretary │
                            └──────────────┘          └──────────────────┘
┌─────────────────────┐                               ┌──────────────────┐
│ Internal audit depart.│─────────────              │   Shareholders   │
└─────────────────────┘                               └──────────────────┘

                          ┌─────────────────┐                              140 A
                          │ General Manger  │
                          └─────────────────┘
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| Research & Development & PR Manager | Investment and External Relations Manager | Collection Dep. Manager | Follow-up Dep. Manager | Legal Dep. Manager |

| Assistant General Manager for Organisation & Banking Operations | Assistant General Manager for Facilities & Marketing | Assistant General Manager for Finance & Personnel |

Executive Manager

| Information Technology Manager | Organisation & Procedures Manager | Credit Control Manager | Corporate Facilities Manager | Individuals Facilities Manager | Training & Personnel Manager | Finance Manager |

| Credit cards Manager | Property & Purchases Manager |

Exhibit 4.4   PB Organisation Chart 1999
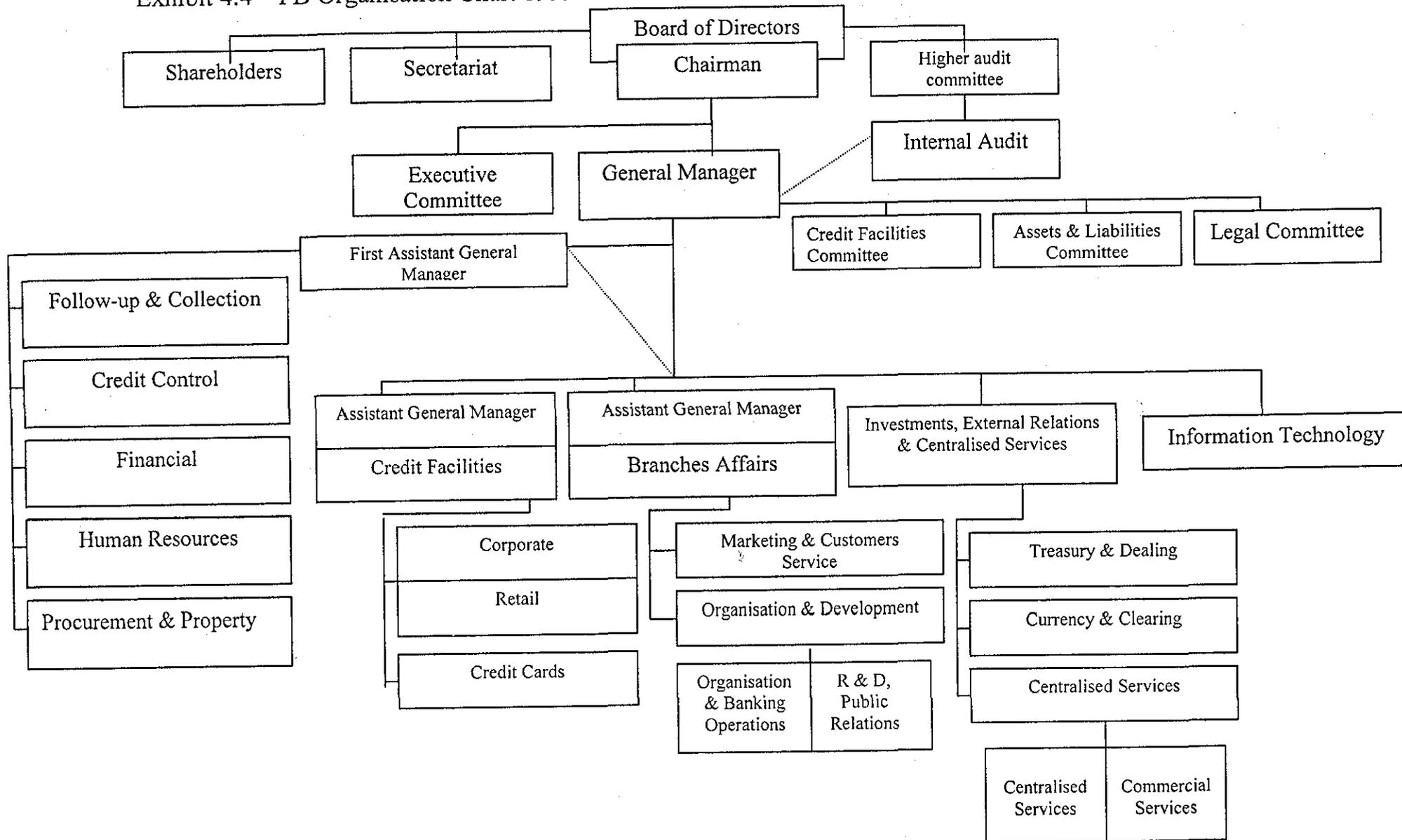
The pilot study covered four Jordanian banks - PB was not among them - through four structured interviews with the financial manager at each bank. The pilot study mainly looked into how MA information was used, and whether the managers were satisfied with the information provided to them by management accountants or whoever was acting in that capacity at each bank.

4.3 Data Collection

A number of methods were used in data collection: interviews, documentation from PB as well as external material written on PB. Observation was used to add a new dimension to data collected through interviews and documentation [Exhibit 2.6, Data Collection Methods]. More than one method for data collection was adopted for the sake of triangulation, and for trying to gain insights from different perspectives.

4.3.1 Observation

Observation provided me with information on PB on certain aspects that were not discussed in the interviews as well as observing – though for shorter periods - how what was said to be by the interviewees was practised.

Observation during the study was helpful in adding new dimensions for understanding the contexts and the phenomena being studied (Yin, 1994, p. 87). The remark by Giddens (1995, p. 237) 'the aggressive banter of the shop-floor is likely to give me more insight than a whole interview', brings to mind a sign near the elevators at the head office of PB saying 'it is forbidden to use the elevator going down' (stress added).

Observation of things included the fact that the managers' offices I visited rarely had any personal items, and it attracted my attention that there were no natural plants at the head office building – a customary practice in other office buildings and banks - and I was told that PB management did not provide any natural plants and forbid managers from having any in their offices as it was considered to be an unnecessary expense. In addition to the above, observation contributed to matters such as the way managers addressed and talked to their staff, or to clients who just dropped-in while I was carrying out my interviews and to observe the atmosphere at work and the issues the managers discussed in the interviews.

Exhibit 4.5

List of Reports Prepared by IT Department at PB (translated from Arabic)

Report	Title of report	Department	Frequency
13	List of overdrawn & limit exceeding A/Cs	Follow-up	Daily
8805	List of overdrawn & limit exceeding A/Cs	Follow-up	Monthly
82	Position of foreign currencies in JD	Financial	Daily
89	Main liquid assets	Financial	Daily
75	Off-Balance Sheet accounts	Financial	Monthly
79	Monthly expenses	Financial	Monthly
190	Total direct credit facilities	Financial	Monthly
862	List of deposits	Financial	Quarterly
863	List of deposits (time, CDs, notification)	Financial	Monthly
877	List of revenue & expenses (all currencies)	Financial	Monthly
881	Detailed credit facilities	Financial	Weekly
876	Balance Sheet	Financial	Monthly
886	Credit facilities by business sector	Financial	Daily
887	Categorised deposits	Financial	Monthly
8715	Categorised facilities & deposits	Financial	Monthly
8716	Deposits exceeding JD 50000	Financial	On request
8717	List of balances of a certain ledger	Financial	Monthly
352	Statistics of bills due	Credit facilities	Quarterly
8806	Statistics of bills due	Credit facilities	Monthly
8011	Deposits according to maturity	General manager	Daily
8702	Balance Sheet	General manager	Monthly
8703	Profit & loss A/C	General manager	Monthly
8704	Branches profits	General manager	Monthly
8705	Deposits	General manager	Monthly
8706	Credit facilities	General manager	Monthly
8707	Expenses excluding salaries	General manager	Monthly
8722	Deposits receiving > 9%	Main branch	On request
8724	Dishonoured cheques	Organisation & Banking operation	Monthly

4.3.2 Documentation

Documentation provided the case study with historical, current, and future information of PB. Documentation also covered organisational charts, future plans and budgets, MAS reports, what was the intended use of MAS reports, and how the reports related to what was said by the interviewees [Exhibit 4.5, List of MAS Reports Prepared by IT Department].

4.3.3 Interviews

The main emphasis in collecting data was on 16 semi-structured interviews with senior managers. The interviews covered 12 head office department managers, three branch managers, and the general manager [Exhibit 4.3, PB Organisational Chart 1998; and Exhibit 4.2, List of PB Interviews]. The interviews allowed for collecting more detailed information to gain a deeper understanding of the role and operation of MAS used at PB (Jones, 1993, p. 225). Two of the departments were formed only a few months before the interviews took place, and those were Research & Development (R&D), and Credit Control. The Organisation & Banking Operations department was reactivated, and an executive manager appointed to head it.

Apart from one manager who did not wish to get involved in the study, the interviews covered all senior head office managers. The absence of participation of that particular manager, in my opinion, did not affect the study in any way as I interviewed three other managers in the same department.

4.3.3.1 PB Interviewees

Most of the meetings were arranged by the co-ordinator of the research at PB after discussing with her the managers I would like to interview. Three branch managers out of 28 branches in Jordan –at the time of the study- were chosen by the co-ordinator. The total assets of each the three branches were approximately the same size and they totalled 12 % of the total assets of PB Jordan branches. I do not believe – as will be explained later - that the choice of the three branch managers by the co-ordinator biased the outcome of the study in any way. The co-ordinator's main concern was to choose those managers whom she believed will be more co-operative and would cause me no difficulty - all three happened to be from the old management team.

It turned out to be true; I found them on the whole open, understanding and co-operative. After going through all the interviews, the opinions of two branch managers -the third to a lesser degree- compared to the rest of the interviews showed a large degree of independence of opinion, and openness. They spoke out about things they believed were true each in her/his own way.

The interviews covered the three categories mentioned in the research structural framework [Exhibit 2.6, Data Collection Methods]. The first category of interviewees comprised **users** of MAS reports such as the general manager and branch managers. The second category comprised **compilers** of information such as the assistant manager in charge of the finance department and the IT manager. The third category, those I referred to as **movers/initiators,** influence the design and operation of MAS such as the general manager and assistant general manager. It is opportune to mention at this point that PB did not have a department or a manager in charge of MAS as such but the tasks were undertaken by a number of departmental managers. The financial department and the R&D department shared the responsibilities of a management accounting department.

Collection of data from multiple managers at PB is desirable because no single manager in the organisation has complete knowledge about how the MAS worked. It was also useful 'to guard against idiosyncratic views being treated as representative of the entire organisation' (Slagmulder, 1997, p. 108). Multiple interviews as well are helpful to check for internal contradictions in the interviews and with external contradictions from other sources (Pettigrew, 1972, p. 192). Multiple interviews also guard against what Young (1999, pp. 81, 82) observed in previous work he did (Young & Selto, 1993), that post-study interviews with managers revealed some managers' responses were based on social desirability in other words, they told us what they thought we wanted to hear.

4.3.3.2   The Interviewing

I would always begin each interview with stressing the confidentiality of any information the interviewee provided me with. I stressed that no one inside or outside PB will read my notes of what the interviewees said except for my supervisors/examiners.

I felt that assuring the interviewees of this confidentiality was important for a number of reasons. The first, relates to the fact that securing the approval and co-operation of

the general manager was essential for securing the co-operation of the managers and to get the information I needed. This raised some suspicion in some of the managers that I was doing this study on behalf of the management of PB. Secondly, I wanted to put the interviewees at ease and pave the way for an atmosphere of trust and openness in discussing my questions. Thirdly, the restructuring stage, which the general manager had initiated, resulted in terminating the employment of a number of PB employees and appointing new ones in their places. I felt the importance of reassuring the interviewees that any information they provided would not be made available to anyone at PB and would not be used against them.

All interviews were conducted in the offices of the managers where they normally carry on their business and during office hours. In spite of the interruptions, this gave me a valuable opportunity for observing and gaining first hand knowledge of the nature of each manager's work and the problems they faced at work with their staff, superiors, and visiting clients.

The co-ordinator dissuaded me from taping the interviews. She believed that most managers would not be comfortable with the idea. So I depended on a note pad at all times during interviews. I wrote down selected phrases and key words to help me recall what was said and what interesting things happened during the interview. Understandably, taping the interviews would have provided me with the possibility to listen again to the interviews and reassess the way the interviews phrased their sentences, made their stresses, and stops among other matters. However, I made sure that each interviewee received a copy of my notes of his/her interview – for some interviewees this occurred more than twice - as I believed that 'corrections made through this process enhance the accuracy of the case study' (Slagmulder, 1997, p. 108). Interview transcripts were given to the managers to ensure that what was written corresponded to what was actually said. Any necessary amendments were made but those were very few and did not have a substantial effect on the integrity of the information in my notes.

All interviews were carried out in Arabic. Although the interviewees understood English, I felt they would be more comfortable discussing the questions in Arabic or a combination of both. Note taking fulfilled two major functions: first, it provided a record of the data collected from the interviews, and the second, is that systematic note taking 'allows control over threats to validity and reliability, primarily that of observer bias' (McKinnon, 1988, p. 46). After the first three interviewees I started

taking down notes and preparing transcripts in English rather than Arabic. I found that taking notes and writing transcripts in Arabic was not necessary and I could use different languages simultaneously - one in speaking and one in writing.

The total amount of interview time was 58 hours spread over the period from 21 October 1999 - 2 July 2000. Interviews with managers ranged from 1 hour to 8 hours, but most were 3 ½ hours long in two separate meetings. All interviews were followed by a follow-up meeting which was useful since, after writing notes of each interview, I would find that some information was missing or needed further elaboration so I would make a note and ask about it during the follow-up meeting.

All interviews were carried by me although some researchers argue that 'the use of more investigators build confidence in the findings' (Eisenhardt, 1989, p. 538). What might have been sacrificed in this respect was gained in consistency in approach and handling of positive and negative situations in the interviews and consistency in interpretation.

4.3.3.3   The Case Study Interview Guide

Semi-structured interviews with 16 interviewees were carried out using an interview guide as a common base for all the interviews with variations to suit the scope of responsibilities of each interviewee [see Appendix 2, Case Study Interview Guide]. Questions were open–ended to get as much as possible a detailed description of each manager's work and opinions.

The questions in the interview guide acted as a reference to the areas I needed to cover in the interviews. They served also as prompts while respondents discussed the questions.

Questions centred round the characteristics of MAS through which information was collected, processed and communicated and how that MAS worked for the interviewees in the areas of planning, decision-making, and control, and on the organisational structure and the channels of communication. The questions also covered the personal opinions of each manager, and whether the managers found the MAS satisfactory and what they thought the gaps were. While the focus in the interviews was on the managers' subjective experience, the underlying theme was the way in which the MAS was used at PB and why.

I thought it would be a helpful introduction to send to each interviewee prior to my meeting with him/her a faxed message confirming our meeting and mentioning the

title of my research, the areas the questions would cover, and a suggested definition of MA and MAS [see Appendix 1, Letter of Introduction to PB Interviewees]. This was to provide the interviewees and me with a common definition to work with (Khan & Cannell, 1957, p. 125).

I serial coded each topic under the general headings used in the interview guide (external environment, management reports, planning and decision-making, organisational structure, etc...). While interviewing I would write down next to the answers the managers gave the number of the topic being discussed, so finding any missing information was easy by simply detecting whether the numbers on the transcript were in serial.

The questions were open-ended for the obvious reason that this will give interviewees more space to speak about their ideas and opinions, and an opportunity to add more on the topic if they wished to do so. I made a conscious effort to take a neutral stance in asking questions or commenting so as not to influence the opinions of the interviewees, and not to guide respondents into answering in a certain direction by unconscious or careless hints. I observed caution not to pass judgements on what each respondent described as being implemented in the organisation, and not to be evaluative of his/her personal ideas and beliefs.

In addition to the formal discussions in the interviews there were also informal conversations (Gurd & Thorne, 2003, p. 25), which are used alongside other data in interpretation and analysis, as a valuable source of field data.

4.4   Points on Validity and Reliability of the Case Study

Construct validity is reinforced in the case study of PB through:

- the use of multiple sources of evidence;
- the establishing of a chain of evidence through the 16 interviews and the other two methods of data collection;
- the follow-up meetings with the managers and carrying out of corrections to the information collected through interviews (Yin, 1994, p. 33; Atkinson & Shaffir, 1998, p. 50).

All this increases confidence in the construct validity of the findings of the case study on availability and diffusion of information, attention to planning needs, the emphasis on the control function and the cultural effect on MAS.

The interviews helped in increasing the **internal validity** of the investigation through:

explanation building;

    linking certain observations on the MAS at PB, as expressed by the interviewees, to the current practice and operation of MAS at PB after analysing collected data from interviewees;

    pattern-matching to other researchers models (Yin, 1994, p. 33).

I was not able to identify a negative impact on the co-operation of the interviewees, whether men or women, with my investigation (out of the 16 interviewees 4 were women). Without going into the social behaviour of men and women, all managers seemed eager to help and were open and co-operative. In fact, I found a positive response from both male and female managers during interviews. Understandably this can be partly explained by the traditional kindness male managers felt they had to show to me even though I was taking up a lot of their time, and asking them to consider and think about things they might not have felt like talking about.

In contrast, there were a couple of isolated cases from the old management team, where co-operation and openness were not at a level to hinder or negatively affect the collection of data but were less than I hoped for and got from other interviewees. I attribute the reason for this to a feeling of insecurity that came from the many changes that the old management team went through during their long years of work at PB.

One point I view as contributing to enhancing the validity of the results is the separation of data collection and data analysis (McKinnon, 1988, p. 46) in this research since starting to analyse collected data while still doing subsequent interviews might have affected my questions in later and interpretations of earlier interviews. Whereas in this case I took note of what interviews said without trying to tailor the outcomes to fit what I saw or heard with a certain pattern that confirms or refutes what other interviews said, or even with some initial impressions I might have formed by then.

To increase the **reliability** of the study 'a case study protocol' was prepared (Yin, 1994, p. 85). The case study protocol included:

    a clear definition of the research area;

    the structure of the fieldwork to be undertaken such as the departments to be included in the study and the individual managers to be interviewed in each department;

    the key issues to be discussed in the interviews;

an interview guide carefully prepared to act as a unifying base for all
interviews,

an analysis plan;

a case study data base.

The database was developed during the data collection phase to increase the
replicability of the findings (Yin, 1994, p. 95; Slagmulder, 1997, p. 108). It included
information such as past annual reports, published material on PB, successive
organisation charts, copies of MAS reports, and interviews transcriptions.

Added to the many visits to PB's head office (which exceeded 35 visits), I also
obtained first hand experience of some of the banking services offered by PB as I
opened an account with a branch that was not involved in the study. I wanted to
experience for myself some of what was talked about in the interviews, and at times
used what I experienced in my questions. I shared with the managers their good days
and bad days, their frustrations with the systems adopted at PB, MAS and others, with
fellow managers and top management and shared their celebrations when promotions
came along. I shared with them some of the changes that took place at PB, moving
offices, rearrangement of departments and offices, the redecoration work where most
of the furniture at the head office was been changed to the official colours of PB. At
times, as a result of my repeated visits and meetings I found my self in unusual
situations.[1] While immersing myself in the data collected for a period of 10 months, I
did not lose a sense of detachment from the collected data as well as the purpose that
my involvement with the managers.

4.5   Restructuring Stage at PB

The choice of PB was judgmental. I tried to avoid both the extremes of the largest or
smallest commercial bank or the oldest or newest. The choice was also restricted, as
well by a bank's management willing to co-operate with the needs of the study and
provide what facilities and information was needed.

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[1] For example, the one when, while waiting for my interview I noticed that there was not a
single piece of paper on the three desks in the room in which I was sitting. I tried to make
friendly conversation with an employee sitting at a desk next to me. I remarked by saying, "It
looks like you'll be moving offices". She smiled but did not comment. After a few weeks I
met her again on the staircase, and she took me by surprise when she immediately said,
"You were right. We are going to be moved from our old offices. Do you know where we will
be moving?" to which I replied "Believe me I have not got the slightest idea." But from the
look on her face I was not sure she believed me.

The choice of a bank undergoing a substantial restructuring stage was not planned from the beginning, but it was a valuable opportunity for me to observe the process of change in addition to my main purpose of collecting information on MAS.

Eisenhardt (1989, p. 537) believes 'it makes sense to choose extreme situations and polar types in which the process of interest is "transparently observable". In a sense PB was an extreme case. The restructuring stage had a number of positive effects on the collection of data. The general manager was open to new ideas in his efforts to launch a new PB. He supported any catalyst he believed might contribute to the process of beneficial change at PB. The interviewees talked openly about problems they found in the design and operation of MAS. The climate was one of reassessment and change. Practices including MAS were reviewed. The negative effect of the restructuring stage was on the MAS at PB rather than on the study I carried out there.

Being involved with a new management team, (62 % of the managers joined PB during 24 – 6 months before the study took place) turned out to be very helpful. The new managers felt liberated from supporting the existing system either by concealing information or finding excuses. They also were more confident in themselves and their abilities as they were specifically recruited because they had demonstrated their capabilities while working for other banks.

4.6   Analysis of Collected Data from PB

4.6.1   Analysing Processes

When analysing data I examined and coded, categorised, tabulated collected information, and combined evidence to address the research question. Various analytical techniques were employed such as: using matrices for categories, tabulating frequency, and putting information in chronological order (Yin, 1994, p. 103).

Analysis of pattern–matching (Yin, 1994, p.106) was used in areas such as goal-setting (Hughes, 1965), characteristics of information (Gordon et al, 1978), and stages in the strategic management process (Wilson & Gilligan, 1997, p. 6).

In addition to coding I used **memos** (1) to free associate, (2) to unblock the process of developing the theoretical concepts, and (3) to document the beginnings of a conceptualisation emerging from the data (Orona, 1997, p. 180).

I used **comparative analysis** to compare the conditions and the significant dimensions and findings of the case study to other published case study descriptions. The aim was to gain a deeper understanding of the impacts which the different

conditions and dimensions had on the collection and the free flow of information within PB.

I also used **diagrams** to summarise and clarify the processes of the emergent findings such as Exhibit 4.6, Availability and Diffusion of Information, and Exhibit 4.7, The Role of MAS in Planning and Decision-Making.

For tabulating and summarising data I used **matrices**. The matrices booklet has 16 columns for the 16 interviews and rows corresponding to questions asked and topics discussed. This helped in summarising interview notes for each interviewee, and at the same time, show an overall view of opinions of all of interviewees [Appendix 1, A Specimen of a Case Study Matrix].

It remains to be said that, in this type of research, the findings stated in the case study analysis section are a combination of what Patton (1980, p. 270) described as being 'not just personal', and they are also not just objective but there was always a mix. 'Simply because the rules as to what constitutes a reasonably sound inference (from non-statistical research) are ambiguous relative to the rules as to what constitutes a sound statistical inference' (Kennedy, 1979, p. 664) does not invalidate the findings. The strength of the evidence remains a matter of judgement before attempting to reach conclusions (Young, 1999, p. 82). My aim was to construct a view of reality, as I was able to induce it from the collected data (Jones, 1992, p. 253).

4.6.2   Analyses Framework

Data collected from the case study on PB is analysed by referring back to OE which seeks to operationalise OE by suggesting some measures. The measures include what a bank's management would want to achieve for some of the stakeholders – especially customers, employees, and shareholders:

1. Growth in net profit, measured as percentage increase in profits, ROI, and ROA.
2. Growth in market share as measured in growth in credit, in deposits, and in assets.
3. Customer satisfaction measured by composite measures of increase in number of services offered and employee satisfaction.

As discussed in the literature review of OE [Section 3.19, Perspectives in Defining OE], a number of ways were suggested by researchers in measuring OE [see Section 3.22, Criteria for Assessing OE]. The means adopted in this case study is the 'goal achievement' as a measurement of OE in an organisation [see more discussion in

Exhibit 4.6
Availability and Diffusion of Information in MAS

External and internal

information

⟹

1. Corporate culture
2. Adequate organisation structural factors
3. Users' needs for information
4. Individual psychological needs

⟹

Improved
planning
and control

Availability

Diffusion

Enhancement of
OE

150 A

Exhibit 4.7

The Role of MAS in Planning & Decision-Making

| Internal Information | | 1. Clear vision & corporate goals | | Improved long & short range plans | | Enhanced OE |

Internal
Information

Users

External
Information

⟹

1. Clear vision &
corporate goals

2. Adequate goal
setting process for
units and individuals

3. Operationlistion of
goals

4. Measurements of
goal achievement

⟹

Improved
long &
short range
plans

⟹

Enhanced
OE

Section 3.22.5, Goal Achievement as a Criterion for Assessing OE; Section 3.24, The Goal Model in Evaluating OE; and Section 3.25, Characteristics of Goals Used in the Goal Model for Assessing OE].

Part II of this chapter includes a discussion of the goals of PB as published in the annual reports and mentioned by the general manager when I interviewed him, followed by a discussion of the process of goal-setting adopted at PB, and the system of communication of those goals. It can be noted that, whilst setting goals is not part of the functions of MAS, it can help in making appropriate decisions (Palmer, 1992, p. 182; Wilson, 1998, p. 1). As goal achievement is adopted for defining and assessing OE then it becomes pertinent to discuss the role MAS plays in providing necessary and sufficient information to help management in the goal-setting process and in communicating corporate goals. These two last issues are directly related to the discussion of business, and operational goals emanating from corporate goals.

All through the analyses, the *status quo* of the topics discussed are included, as interviewees described them, as well as to possibility that the adopted MAS could enhance OE [Exhibit 4.8, Framework for Analysing the Role of MAS in Enhancing OE].

Exhibit 4.8
Framework for Analysing the Role of MAS in Enhancing OE

Was it possible to enhance their achievement through MAS adopted by PB?

Corporate
Goals

What did PB achieve 1998 - 2001?
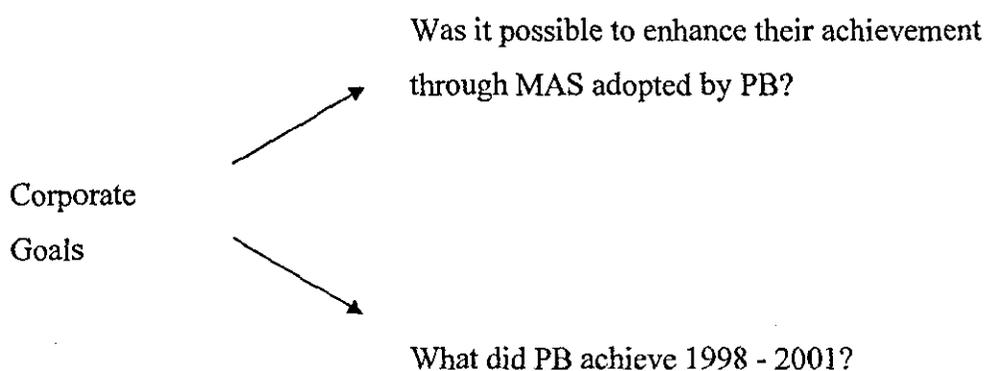
In analysing collected data I did not discuss theoretical and empirical work by researchers separately. But I tried to incorporate it as much as possible within the analysis and discussion of the case study findings to further the process of theory building, and hoping this will be more engaging and would help to highlight even further similarities or otherwise between my findings and the extant literature.

The analysis of PB case study data is discussed in the following four parts of this chapter: Part II analyses the role of MAS in providing necessary and sufficient information for individual managers to set their own goals within the hierarchy of goals in PB, and to help them monitor changes in the variables that affect their goals and plans of action for both the short and the long term.

I started with the availability and diffusion of information rather than starting with the role of MAS in planning due to the importance the topic has to goal-setting, planning, decision-making and control. The concept and operation of MAS rests on providing financial and non-financial information to users of MAS (in the case study the users are PB managers) to enable them to enhance the managerial functions of planning, decision-making, and control with the aim of enhancing OE [see discussion in Section 3.15.1.1, Role of MAS in Providing Strategic MA Information; Section 3.15.1.5, Role of MAS in Collecting And Diffusing Information of MA Information; and Section 3.16, What are MAS?]. Part II also includes a discussion of the factors that affect the accessibility of information at PB in general and within MAS implemented at PB in particular.

Since the design of MAS plays a part in making information available to the different departments, Part II includes a discussion of the characteristics and design of MAS at PB, and the characteristics of the MAS reports used to communicate information at PB.

A discussion of the IT system is included in Part II also due to the important role the IT system plays in making information available through periodical and non-routine MAS reports, in addition to communicating information through an organisation's network. A description of the characteristics of the IT system used is included and how it was actually used to enhance the role of MAS in achieving OE.

In Part II as in the other parts I discuss factors that affected both the design and the operation of MAS as expressed by the interviewees. I try to highlight all through the analyses difficulties affecting the achievement of PB's corporate goals as observed and induced from the study.

A matter to which I should draw attention at this point is the issue of partiality of MAS. The designers of MAS do not come from neutral grounds. Nor do management accountants [Section 4.10.4, Centralisation of Information at PB] who have substantial control over MAS reports, and in particular those dealing with the financial performance of a bank. 'In designing MAS the accountant must decide

which information to collect regularly and which to collect on an *ad hoc* basis. In short he must have a way of assessing the *ex ante* value of information. The management accountant is also concerned with the use of the information collected' (Baiman, 1982, pp. 179-180).

This coincides with what was found in MAS at PB. The MAS reflected subjective attitudes of the designers of the system and of those who had substantial control over the operation of the system. An example is the predominance of financial information which does not seem to be particular to the practice in JCB but has also been commented on in other countries (Lovell, 2002, p. 151). The biases of the financial department was reflected in the predominately financial data provided in MAS reports and in the historical nature of the data and compliance with CBJ's regulations on how financial accounts were to be kept. Another factor that affected the partiality of MAS as explained in Part V of this chapter is the social culture, the corporate culture, and other sub-cultures within PB.

Part III discusses sequentially the role of MAS in enhancing planning and decision-making at PB. This part discusses the factors both internal and external affecting the design of MAS in JCB. Again there is a description of the state of MAS by using quotations from the interviews to portray the existing system. The questions in the interviews dealt not only with how things were but also why they were like that and to what effect.

Part IV deals with control - another important function of management in which MAS plays an important role. When discussing control the analyses include the areas that are covered within MAS along with the internal and external factors affecting the design and role of MAS in JCB which also are investigated. This covers how the factors mentioned work for or against enhancing OE at PB.

Part V deals exclusively with one of the factors of the external environment namely the cultural factors. It discusses cultural factors in so far as they concern MAS in terms of design, implementation, and operation.

A number of reasons prompted me to discuss this phenomenon under a separate heading. Firstly, what encouraged me and to which I referred in Part V was the recurrent mention of the term cultural factors in the interviews with PB managers.

Secondly, the literature review used in this research mostly identified research written by western researchers and I wanted to investigate the existence of similarities and differences in the roles which MAS played within a different cultural setting.

A third reason was that, in our time and age of globalisation, we need to know more about other cultures and, in particular, what concerns us here is the cultural effect on the business community bearing in mind that western international consulting firms operate in third world countries and in this case in the Arab world and in Jordan.

Part II   Availability and Diffusion of Information at PB

4.7   Introduction

This part discusses information needed for MAS to fulfil its role in meeting current and expected needs of management. It looks into the availability of information at PB on the one hand and its diffusion on the other. Availability of information deals with factors external to PB and internal within PB [Exhibit 4.9, Framework for Analysing the Availability and Diffusion of Information].

Diffusion of information is discussed in terms of the effects of internal factors such as centralisation of information, technology, and internal politics in providing necessary and sufficient MA information within PB. It also discusses the effect structural factors had on MAS in providing information and in its sufficient diffusion at PB.

Availability and diffusion of information will be discussed under three main headings:

1. Accessibility of information within MAS at PB.

2. Characteristics and design of MAS and MAS reports at PB.

3. The use of computers in exchange of information within MAS at PB.

All three headings are dealt with in the light of providing and communicating information within the MAS adopted in PB and its role in enhancing OE.

The information used in the three headings involves all three methods of data collection and the three categories of interviewees - users, movers, and compilers - mentioned in Exhibit 2.6, Data Collection Methods. The information referred to in this discussion relates to planning and decision-making, control and implementation.

4.7.1   Why information?

Information is a term that 'includes any input to a person in the communications system', and that input can include relatively objective and subjective items (Ference, 1970, p. B-84). Information in this context is both forward/outward looking and

historical information. Information that falls under forward and outward looking information is mostly on factors external to the organisation. 'Most strategic information is collected from sources external to the organisation...and is frequently of a "soft"... nature' (Peters & Waterman, 1995, p. 266).

The importance of internal and external factors is in identifying internal and external threats and opportunities, which may lead accountants outside the boundaries of traditional management accounting (Palmer, 1992, p. 197; Peters & Waterman, 1995, p. 266).

Exhibit 4.9
Framework for Analysing the Availability and Diffusion of Information

Information provided through MAS to managers

1. Availability of information   2. Diffusion of information

External information	Internal Information	1. Channels of communication
1. Economic	1. Corporate goals	2. Feelings of insecurity
2. Competition	2. Strategy	3. Internal politics
3. Social changes	3. Organisational structure	4. Centralisation of information
4. MAS practices in other countries	4. IT	5. Organisational structure
5. Technology		

The external information referred to here is on the economic situation past, present and future, development in social culture that might render previous practices unacceptable or do exactly the opposite by changing practices that were thought to be unacceptable or superfluous to become very much the norm, in addition to information on competition and on developments of new technology [Exhibits 2.3,

Factors Affecting the Design and Role of MAS in JCB; and Exhibit 2.4, External Factors Affecting Design and Role of MAS in JCB].

All these factors are discussed at length in this Part II with regard to their impact on the design and the operation of the MAS used at PB and its impact on OE.

According to Simon (1977, p. 125) information can be used in 'four broad classes of uses: scorecard, to direct attention, to analyse a system's structure and dynamics, and to ascertain parameters of its current state'.

Information, both formal and informal, is essential to all aspects of organisations' activities and is argued to be the most important attribute of successful organisations (Emmanuel et al., 1990, p. 6; Stone et al., 2000, p. 697). Information may be: routinely generated or *ad hoc*, it can be formally or informally transmitted and qualitative or quantitative (Emmanuel et al., 1990, p. 6).

In the context of MAS, information on scorekeeping - as mentioned in Simon's quotation - the historical information is the starting point. As to directing attention it is an essential role of MAS 'both as an integrative mechanism used to coordinate diverse activities and as a measure of overall performance and viability' (Emmanuel et al., 1990, p. 7) and is discussed in more detail in Part III on control. An important resource for achieving management control is MA information. However, it should not be assumed that MA is the 'only, or even the major means of management control' (Emmanuel et al., 1990, pp. 97, 98). This is emphasised further in organisations that offer services tailored to customer's needs, where there is a need to empower employees. 'This means providing employees…with information they need to be able to take decisions themselves' (Ashton et al., 1995, p. 4).

Going back to Simon's (1977) quotation, analysing a system's structure and dynamics or deciding on the parameters of its current state can be interpreted as part of directing attention to possible existing or potential problems in an organisation's structure and MAS design.

The timing of management information should also be highlighted as information should not only be available to management but also at the right time whether to be used for planning and decision-making or for control.

For MAS to enhance management's functions and consequently OE, the design of organisational structure and channels of communication, though not within the design capacity of MAS, the latter's operation is greatly affected by them [see more in the discussion in Section 4.10, Factors Hindering Diffusion of Information at PB].

4.7.2 Factors Affecting the Accessibility of MAS Reports at PB

This section discusses both information that was not available at PB and information that was available but was not adequately diffused or passed to managers.

A number of factors are considered to investigate the adequacy of information for its various uses. Under availability of information, I will look into factors in the external and internal environment [Exhibit 4.9, Framework for Analysing the Availability and Diffusion of Information] specifically mentioned by the interviewed managers and comment on factors mentioned in the conceptual framework in Exhibit 2.4, External Factors Affecting Design & Role of MAS in JCB.

4.7.2.1 Description of Availability of Information at PB

The need for more relevant and detailed information was quite clear in the responses of the managers interviewed. They expressed their need for both external and internal information that corresponds to their needs each in his/her capacity. By internal information is meant information on variables within PB [i.e. internal variables], and by external information is meant information on variables outside PB [i.e. external environment].

'I need MAS reports to help me in my work...the Bank cannot afford the cost of training Bank employees to acquire the skills needed. We need to control and reduce our costs' (interview 13).

In the above quotation the manager is expressing a felt need for more relevant information but expressing at the same time PB's policy to cut down costs which meant that PB cannot spend sufficiently to train staff on the skills of collecting, processing and communicating information. The need for internally-oriented information was also expressed in different forms by the managers.

'If branches can provide me with their recommendations and ideas on how to improve their performance or give explanations of their actual performance I feel we can offer them better assistance' (interview 13).

'I compensate part of what management reports lack in information with what I gain from discussions within...committee meetings' (interview 7).

The majority of interviewees (8 out of 12 who were affected by the availability of information) specifically said they would like to receive more periodical MAS reports than they are actually getting. One manager specifically mentioned resorting to means other than incoming MAS reports to get information.

This should not be understood to mean that they would like to see current reports replaced by new ones. To further emphasise the need for more information 7

157

managers out of the 12 said that there are no routine periodic reports that can be eliminated.

'At times I feel we need more information than the reports contain. Changing forms is not helpful as we have changed forms many times before, as well as it is time consuming' (interview 9).

This situation can be depicted as a circle of deficient information [Exhibit 4.10, Deficient Information Circle] with the grave effects it could have on achieving OE.

Out of 14 managers who received MAS reports, 8 managers (5 of them are from the old management team) said MAS reports were useful while 6 managers said not all of MAS reports they received were useful. This might be explained by management change being, 'rarely consensual, neutral activity' (Burns & Vaivio, 2001, p. 395).

By non-useful reports the managers meant either that the reports were repetitious or lacked needed information. If we consider 'information is knowledge for the purpose of taking effective action' (Mason & Mitroff, 1973, p. 475) managers' decisions in these situations would be incongruent with a situation or needed action would not be taken.

4.7.2.2   Information on the External Environment

Information made available at PB in terms of depth, scope or detail of factors in the external environment of PB affected the degree to which MAS served management, consequently affecting the ability of management to achieve a higher degree of goal achievement.

Traditionally 'management accounting has been criticized because it is heavily biased towards the internal comparisons of cost and revenues, and relatively little attention is given to the external environment in which the business operates' (Drury, 1996, p. 837). It has been observed by numerous researchers that factors in the external environment affect the organisation in a number of ways (Pettigrew, 1972, p. 187; Hughes, 1965, p. 107; King & Cleland, 1975, p. 289; Simon, 1977, p. 40; Palmer, 1992, p. 197; Glennerster, 1994, p. 140; Peters & Waterman, 1995, p. 109). '(M)anagers rely on the management accounting system to identify and communicate the important external and internal information that they need to recognize and adapt to environmental changes' (Atkinson et al., 1997, p. 82). The majority of the interviewees at PB in different departments (11 out of 16) agreed that there were

Exhibit 4.10 Deficient Information Circle
The circle might widen but a spin-off cannot be expected

6
Potential not
achieved

1
Insufficient resources
due to cultural,
structural, financial,
& human factors

5
Ineffective &
inefficient use of
available
resources

2
Unclear goals
short & long-
range
general

4
Planning,
decision-
making &
control without

3
Deficient
information &
MAS reports
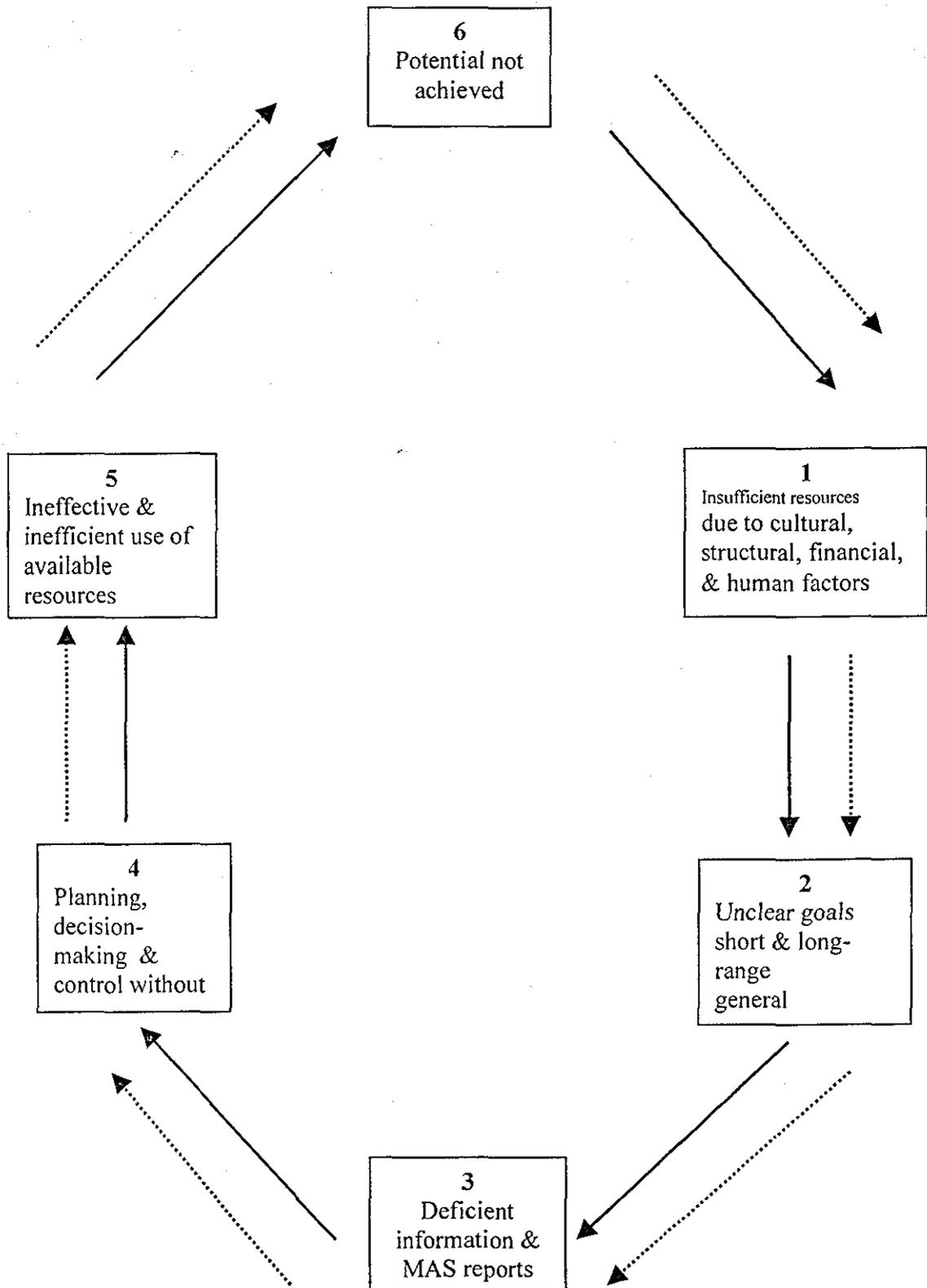
some key factors in the external environment and any changes in these factors affected their work and their ability regarding goal achievement.

Numerous examples were given by the managers for the need for external information as in the case of interviews 5 and 9. The two managers stressed the urgent need for a data bank on current and potential clients that would greatly assist them in their work.

'I have mentioned to head office on more than one occasion that they need to provide us with a data bank on all current and potential clients in all the markets in which the Bank operates. The argument against my suggestion has always been that the Bank cannot afford to undertake such a project' (interview 9).

In other words, the interviewees in the case study expressed the same felt need for MAS that provides broad and deep information support or as termed by March, a "garbage can" for users of MAS to access information and look for unusual signals (March as quoted by Peters & Waterman, 1995, p. 107; Vandenbosch & Huff, 1997, p. 82; Pierce & O'Dea, 2003, p. 260). The interviewees also expressed their need for MAS with 'analytic capability for a wide range of executive decisions' (Vandenbosch & Huff, 1997, p. 82). The data expressed in the quotation above can be described as 'a rich informal environment, heavily laden with information, (Peters & Waterman, 1995, p. 111) where uncertain environments 'are both complex and dynamic' (Tiessen & Waterhouse, 1983, p. 253).

Vandenbosch & Huff (1997) conducted an empirical study in seven organisations on information used by high-level managers. They came up with the conclusions that information geared to the needs of executives helped in broadening the outlook of managers, challenged their preconceptions, and provided them with more insight into their businesses, thereby helping them to enhance OE. For most part, the study by Vandenbosch & Huff showed what enhancement in OE achieved was a result of the scanning of information geared to the needs of executives.

What Vandenbosch & Huff referred to as 'broadening the outlook of managers', 'challenging their preconceptions', and 'providing them with more insight into their business' are what the following discussion revolves around.

'Broadening the outlook of managers' can be achieved by making available to them in-depth and wider scope of information on external factors as well as covering a larger number of factors. This was not available at PB as discussed earlier under 'availability of information'. As for 'challenging the managers' preconceptions' this was again observed at PB where almost every manager had his/her own

understanding of what attracts or what were customers' needs. Each manager had his/her own interpretation of information made available to him/her through personal means coloured by his/her preconceptions [see more in Section 4.8 below]. This active role of MAS in collecting financial and non-financial information to verify assumptions can be considered as the most useful (Emmanuel et al., 1990, p. 370). The third key phrase 'providing managers with more insight into their businesses' is discussed in as far as this affects the role and operations of MAS.

There follows a discussion of factors in the external environment apart from culture, which is discussed in Part V of this chapter, and technology which is discussed in Section 4.11.1.3, Effects of Information Technology on MAS at PB.

4.8   External Environment Factors Affecting Ability of Managers to Achieve Goals

The factors, in order of how frequently mentioned by the interviewees, as well as any changes in those factors said to affect both the setting and achieving of goals, which highlights the significance of making information on external environment elements available to managers were:

1st.   Economic and political situation [Section 4.8.1],

2nd.   Competition [Section 4.8.2],

3rd.   CBJ's regulations and directives [4.8.3],

These will be discussed in turn.

4.8.1   Economic and Political Factors

All those managers whose work was affected by the external environment (11 out of 16 interviewees) said that the economic factors, whether local, national or international, affected them in setting their goals and in achieving them. Mabberley (1992, p. 104) agrees with PB interviewees on the importance of the availability of information on the external environment as organisations that 'successfully predict and hence benefit from changes in economic conditions are likely to provide the highest value to their shareholders (at least in the short term)'.

However, PB interviewees found that information available at PB or from other sources on the economic aspects of the external environment was deficient in terms of detail and analysis.

'Information provided by government bodies or the Chamber of Commerce is very general and is not of much help to me. I understand the general manager's position that money spent on research is not a priority at the moment given the restructuring stage we are undergoing. But this does not solve the problem of lack of information' (interview 7).

And:

'I do not have a clear idea on how to set my targets as it all depends on the economic situation in the country...I do not receive any feedback information on the economic situation from Research and Development nor am I informed of the general manager's expectations and forecasts for the Bank as a whole. They can judge matters better by virtue of their positions' (interview 6).

The general manager agreed with the rest of the interviewees on the important effect of the economic factor. However, he believed that the political factor in Jordan and the region (Middle East) was the most hazardous of all factors in the external environment as it dictates the economic situation in the country and the government's economic policy. As explained in his words:

'The most hazardous factor I would say is the political factor. It comes sudden and I do not have any control over it'.

However, out of the other 15 managers interviewed only two said that the political situation and political developments locally and in the region affected them. The effect of political pressures and changes or 'uncertainty is compounded in developing countries by political volatility (Hopper et al., 2003, p. 17) though, in the case in Jordan, not internally but rather from neighbouring Israel and regional instability in markets and economic uncertainty. This affects the services offered by JCB to corporate clients and causes a clear move to putting greater emphasis on retail banking and the targeting of small and medium-sized enterprise markets and the personal sector. Howcroft & Hamilton (1999, p. 69), though, make a similar observation as mentioned by some PB interviewees, but in the case of British banks it was due to economic changes.

4.8.2 Competition

Competition from other banks in the Jordanian market was another factor said to affect the corporate and departmental goals and managers' ability to achieve them (mentioned by all 11 managers whose work was affected by the external environment).

'Information on services offered, on charges, in my opinion information like this is extremely important' (interview 5).

Bromwich (1990, p. 38) and Palmer (1992, p. 182) agree as they believe that, for a comparative advantage over competition to be maintained, organisations need not only cost information on their products, but also continuous information about the industry's demand curve and those faced by rivals.

Very similar ideas are to be found in other researchers' works on the relevancy of competition in banking (Mabberley, 1992, p. 3; Pond, 2000, p. 3) as they operate in an intensely competitive market in terms of price nationally and internationally (Mabberley, 1992, p. 3). This led British and US banks towards individual account profitability and customer relationship management (Pond, 2000, p. 3).

Competition as the most hazardous factor was specifically mentioned by three out of the nine managers who said that their work was affected by competition.

Furthermore, *information on competition is needed to satisfy managers' critical need* for innovation. Peters & Waterman (1995, p. 200) find the 'most discouraging fact of corporate life is the loss of what got them big in the first place: innovation', which define the task of the truly excellent manager or management team (Peters & Waterman, 1995, p. 12).

External information is critical to financial institutions to enable them to respond to competition when markets and clients' needs change leading to diversifying into ancillary business or to merging with other financial institutions as we currently see, or in *providing comprehensive packages of services to clients* (Howcroft & Hamilton, 1999, pp. 66, 67).

4.8.3 Information on CBJ Directives and Regulations

Changes in CBJ regulations and directives issued to all banks operating in Jordan were mentioned by eight out of the 16 managers as having a direct effect on their work. But information on this did not cause a problem as CBJ made it available to all Jordanian banks.

PB management made sure that all affected departments knew and conformed to the new changes as CBJ regularly audited Jordanian banks and, in particular, PB given CBJ involvement since 1989.

CBJ directives covered, among others, instructions on using internationally accepted standards in accounting and banking by Jordanian Banks (interview with assistant manager of the *Department of Supervision on Banks, 25 August 1999). CBJ believes* that complying with these international standards regarding liquidity, branching,

doubtful debts provision, and capital adequacy (Basel committee) would enhance external reporting, shareholders' rights, and the performance of Jordanian banks. Referring back to Exhibit 2.4, External Factors Affecting Design and Role of MAS in JCB, 'MAS practices in other countries' was mentioned as one of the external factors affecting the design and role of MAS.

A direct influence on MAS adopted at PB from MAS practices in other countries brought through management consultants, or through designing of MAS by PB's managers following a model used in other countries, was not clearly found. The influence came indirectly through international accounting and banking standards with which PB and other banks in Jordan were asked by CBJ to comply.

4.9   Diffusion of Information

In the previous sub-section the emphasis was on the need felt and expressed by the interviewed managers for more relevant and in-depth information on both the external and internal environments and the fact that it was not made sufficiently available to them. Added to the importance of availability of information, diffusion of information is of equal importance, an opinion shared by accounting academics (Stone, Hunton & Weir, 2000, p. 697) as one of the most important attribute of successful organisations. It carries in the context of JCB even more significance as the need for expert knowledge to be diffused within banks becomes critical.

The same situation is faced when information is insufficiently diffused within an organisation, as it is when information is unavailable though for different causes. By insufficient diffusion of information we mean that information is available within the organisation but is not sufficiently shared with the relevant departments. Under diffusion of information I will look into the factors that impeded the free flow of information within the internal reporting system as induced from the data collected and as mentioned by the interviewees.

For managers of PB to plan they have, in many instances, to take into consideration what is actually happening in other departments as well as the future plans of those departments and of top management. Making such information unavailable affected the performance of related departments both in setting non-optimising goals and in achieving them, and ultimately achieving corporate goals.

For example, the credit control department needed to be informed of the plans and actual results of the credit facilities department through an exchange of information

between both departments. The responsibilities of the collection and follow-up department - as the ultimate department responsible for collecting long-standing debts - was also tied to what volume of credit was granted and what the credit control department achieved in terms of collecting debts. Information resulting from both the credit and credit control departments acts as an input to the plans or change of plans of the collection and follow-up department.

The work of the various departments in an organisation can be portrayed as a 'value chain' each linking and leading to the next. Therefore, any severing of the chain will have effects on the work and effectiveness of other related departments. Examples of this will be given below as observed and explicitly mentioned by some of the managers.

4.9.1   A Description of the Extent of Diffusion of Information

For an organisation to achieve the goals set by top management, co-ordination and exchange of information vertically and laterally has to be satisfied [see Exhibit 4.10, Deficient Information Circle].

Insufficient information diffusion in PB can be seen in what an interviewee described:

'I must say it is sometimes difficult to get the information I need' (interview 11), referring to information from other departments.

'When I ask for information I am told by my boss that I will only be provided with the information that I need for my work' (interview 14).
This was explained by another manager who *'believes that, in banking, there are types of information that should not be diffused' (interview 11).*
However, if we contrast the last two quotations with the views coming from different cultural backgrounds, we find that other researchers see the matter differently. As expressed by Hughes (1965, p. 27), based on his work with American organisations:

> 'Just as top management needs certain kinds of economic financial, marketing, and product data to establish objectives for the company as a whole, individuals elsewhere in the organisation need to have similar information communicated to them in as much detail as makes sense in light of targets they must meet'.

Hofstede (1968, p. 33), reflecting a similar view from his work with European organisations, believes that 'information which does not lead to immediate decisions being taken acts as useful background music'.

This does not agree with what some high level managers at PB believed. Managers in the different levels of the hierarchy should only get the information directly related and needed in their work in a narrow sense.

However, Hofstede (1991, p. 281) writes that, in non-western countries, systems will work quite differently. An alternative or added explanation to the social values put forward by Hofstede (1991) might be the same factors in PB that hindered diffusion such as internal politics, feeling of insecurity, gaps in communication discussed in later sections. For example:

In the PB case study the need for information was resolved by managers through resorting to 'personal means' to overcome inadequate diffusion of information.

'I get the information I need for my work not as part of the procedures in the Bank but through my personal relations with other managers' (interview 4, stress is mine).

'At times I find difficulty in getting information. I believe it is not a result of the organisational structure. In such situations I would tell the general manager about the difficulty that I face and he will get me the information I need' (interview 8).

4.9.1.1   How PB Interviewees Got Information Needed

As to how the interviewed managers obtained information on the external environment, all ten managers and the general manager who said that the external environment affects their work got information through personal effort and means.

'I do not have staff whose job is to collect and pass such information (referring to the external environment) to me. As you see it all depends on my personal effort and the wide contacts I have in my community' (interview 14).

'I get information from internal and external sources. Internal that is what is provided to me by the Bank on certain clients and external by asking my other clients or branch employees' (interview 5).

According to Otley (1995, p. 46), such information should be the core of MAS and that much is obtained informally and sometimes accidentally, being speculative and qualitative in nature.

Vandenbosch & Huff (1997, p. 83) identified four modes of acquisition of information by managers at work: undirected viewing when the viewer has no specific purpose in mind; conditioned viewing not involving active search; informal search which is an unstructured effort to obtain specific information; and focussed search when the same reports are viewed regularly. Vandenbosch & Huff also linked certain modes of acquiring information to certain situations as 'in organisations in decline, executives tend to rely on highly formal, focused information systems and conduct relatively less broadly targeted informal scanning' (Vandenbosch & Huff, 1997, p. 83).

Similar studies on how executives scan and use information within EIS or MAS have not been carried out on Jordanian executives. Consequently, one cannot judge the degree of applicability of the findings of Vandenbosch & Huff as we are dealing with two different cultural contexts. However, what PB interviewees mentioned in the interviews on their need to have access to more relevant, wide-scope, and in-depth information suggests that they needed more information to scan engage in what Vandenbosch & Huff termed 'informal scanning' or 'focussed search'.

PB interviewees exercised a type of 'informal search' or an unstructured effort to obtain specific information on the external environment. Staff and managers scanned newspapers, magazines, other publications, economic reports from government departments and economic analysts. As mentioned in the quotation from interview 14 [at the beginning of this section] that it all depended on their personal effort.

However, wide-scope information needs to be provided or possibilities of obtaining it provided for informal scanning as well as focused viewing to ensure the availability of the information and the regularity of the flow on factors that could have a substantial impact on the ability of the organisation to achieve its goals.

This phenomenon of an inadequate supply of information for managers to view regularly and periodically by means of MAS reports, or to scan wide-scope information, observed at PB does not seem to be an isolated case. Observations that the level of management information in the financial sector in the west historically have been surprisingly limited (Mabberley, 1992, p. 4).

Information about competitors, the predicted economic situation, any expected changes in CBJ regulations, or any inside information on PB's clients from clients and friends were obtained by PB interviewees through personal means. One of the interviewees commented on the sources of external information by saying:

'sources of external information do not help me much in taking decisions. At times I get information through personal means from outside the Bank. However this is not a source that would always be available to me' (interview 7).

Personal effort or 'personal means' as referred to by many interviewees has its shortcomings. It might be insufficient and not aligned with top management's outlook or analysis of the economic, political, or competitive situation.

'I have to depend on my own interpretation of economic and competition factors' (interview 13).

Personal means to get information on the external environment mentioned by the managers were the media, clients, friends, and publications of the Jordanian Banks'

Association or those of other Jordanian banks, CBJ statistical bulletins, specialised institutes' publications, and the Chamber of Commerce publications.

'Information provided by government bodies or the Chamber of Commerce is very general, and is not of much help to me' (interview 7).

An example of information, referred to by the managers as being summary in nature, was the market share of each bank in each geographical area, or a short summary of economic indicators provided by CBJ in its monthly statistical bulletins, or possibly unprofessional and/or general analysis from newspapers and magazines that did not meet the managers' needs for short- or long-term planning and decision-making.

Relying on managers' personal efforts did not adequately provide satisfactory results - as expressed by the interviewees in the quotations above. Added to that, not all department managers have what it takes and/or the time to prepare detailed analyses and realistic projections for future economic, political, and competitive factors. I refer here in particular to branch managers as an example when they were asked to submit their own projections for budgets [more on the role of MAS in planning in Part III].

The availability of a wider range of information on variables when making decisions and taking action allows managers to perform better. '[P]eople who are exposed to more information have a better developed intuition and as a result respond more quickly and effectively to the information they encounter' (Vandenbosch & Huff, 1997, p.83).

This was not found in the PB investigation. No broad range of information was systematically available to the managers. Resorting to 'personal means' for getting information means that each manager would have to rely on his/her personal interpretation of political, competition and economic developments, thereby acting upon different interpretations that might not be in unison with top management's interpretation.

'My interpretation might very well be different from others in the Bank, that is quite right and that is why you find that we keep changing our plans as there is no unified vision of the future" (interview 14).

4.10 Factors Hindering Diffusion of Information at PB

Analysing collected data showed that a number of factors hindered diffusion of information at PB:

1. Channels of communication

2. Feelings of insecurity

3. Internal politics

4. Centralisation of information

5. Excessive bureaucracy

6. Lack of documented procedures

7. Organisational structure.

These will be dealt with in turn.

4.10.1 Channels of Communication at PB

Channels of communication and the organisational structure [discussed in Section 4.10.7, Other Organisational Structure Elements at PB] are two factors that affect both the design and the operation of MAS. Although the design of MAS does not involve the design of organisational structure or channels of communication, MAS reflects both and MAS, in supporting managerial functions, is greatly affected by both.

'Channels of communication are not clear to me at the moment. Responsibilities of departments and individuals are not very clear. In the absence of this I feel I have to improvise to do my work' (interview 4).
This quotation does not express an isolated opinion of that manager in particular but the same view was explicitly referred to in interviews 7 and 6. Those interviewees expressed their frustration with not knowing exactly to whom they should go when they needed non-periodic information which was of direct relevance to their work.

In other cases we find that it is either channels of communication which were not functioning properly or that information was blocked at some point within the organisation as there were managers, for example, who thought *'that there are departments in the Bank whose job is to do customer satisfaction surveys' (interview 7)* while there were none.

A second example, and with triangulation from other interviewees, a manager (interview 5) had inaccurate information on where a MAS report prepared by his staff went to at the head office, and consequently for what purpose it was used. While the manager in interview 5 believed that that particular report went to the R & D manager, in fact it went to the Organisation and Banking Operations manager.

The importance of communication within an organisation cannot be over-emphasised. The need for lateral communication more than vertical (Hughes, 1965, p. 93), the need for communication within departments through regular meetings

168

(Hofstede, 1968, p. 297), as well as the need for intense communications (Peters & Waterman, 1995, p. 122) to enhance the formulation of goals and decision-making (Hall, 1972, p. 292) (planning and decision-making activities), and co-ordination and implementation (control activities) of organisational goals (Pettigrew, 1972, p. 187).

'At times going through formal channels slows down communication and consequently action that needs to be taken' (interview 9).

In the case study when the managers were asked whether they were satisfied with the distribution of MAS reports and whether the users received the MAS reports they needed, out of seven managers who did receive MAS reports and who answered the question, only two were satisfied. Five managers felt there were gaps, and one manager remarked that there was an excess of reports.

4.10.1.1 Gaps in Communication at PB

Channels of communication were not clear, *'there (we)re gaps in communication' (interview 8) which* were observed during interviews, as when some managers talked about plans other managers were not aware of.

'If I were to follow formal channels I would not accomplish what I need' (interview 15).

In interview 1 there was a mention of a three-year plan and an annual budget prepared by consolidating the plans of the various departments. Only two other interviewees mentioned this plan or talked about the annual budget in terms of submitting or preparing any projected expenses for his/her department.

Not mentioning that is rather significant. A couple of explanations might be given: (a) the annual budget was not of much significance to them; or (b) they were unaware of it since they were not involved, as the interviewees who did mention it were the ones who prepared future projections for other departments or branches.

The last explanation seems to be the most plausible since, when managers were specifically asked whether they prepared projected expenses in their budgets, all gave negative answers. Another reason that adds to the plausibility of my deduction has to do with what I personally observed during one of my interviews. The manager I was interviewing asked an assistant to place an international call through the switchboard, turned to me and said that they could not dial the number directly because the financial department instructed the switchboard to block all international calls as (s)he has exceeded the budget. The interviewee said that it took him/her by surprise as part of her/his work had to do with branches in Palestine, and that (s)he

was not sent a copy of the budgeted telephone expenses and was never informed of it previously.

Another example of a gap in communication was when talking about corporate goals set by top management a manager remarked:

I do not have a clear idea on how to set budgets as it all depends on the economic situation in the country... I do not receive any feedback information on the economic situation...nor am I informed of the general manager's expectations and forecasts for the Bank' (interview 6).

4.10.2   Feeling of Insecurity at PB

Some managers tried to withhold information from fellow managers or safeguard it. This might have been due to a feeling of insecurity or a lack of trust among department managers as can be sensed in the following quotation:

'The idea behind this arrangement (at PB) is that being part of the department provides me with the information I need for my work. Otherwise I might not be able to get access to department information' (interview 12).

This statement describes a situation where a manager belongs administratively to one department, but the actual work is of a different nature related to that of another department. The rationale behind such a situation was that some managers would not voluntarily pass information available to those who need it in other departments if not block it.

'I feel some managers are apprehensive about sharing information they get to know through their positions in the organisation. They think this might harm them in some way or undermine their authority. They use information for their internal politics.' (Interview 12).

Such attitudes could be dysfunctional for the organisation as described by Argyris (1971, p. B-279): with lack of trust and win-lose dynamics 'the subordinate tends to build walls around his department to protect him from competing peers or arbitrary superiors'. An example of win-lose dynamics was mentioned by the manager in interview 4 where the interviewee said that, in order for him/her to get the information needed, (s)he told the manager of another department that was directly related to her/his work that (s)he could take all the credit for the results in return for making all information available to him/her.

What might have also contributed to the feeling of insecurity is the fact that, out of the 13 senior head office department managers interviewed, eight were new managers who joined PB as part of the new management team when the general manager came in September 1997. This could have given managers in head office

and branches -old ones in particular- a feeling that, during the ongoing restructuring stage, changes could include them too.

4.10.3 Internal Politics at PB

Internal politics can affect the operation of MAS as it renders information that is available at PB inaccessible to some of the users. Internal politics as a factor hindering the diffusion of information within an organisation was mentioned by a number of the interviewees and agrees with what has been discussed by many researchers (Gross, 1965, p. 211; Pettigrew, 1972, p. 188; Burchall et al., 1980, p. 16; Markus and Pfeffer, 1983, p. 206; Mason & Mitroff, 1973, p. 483).

'At the Bank managers are very conscious of their status. This at times hinders the flow of information as they might withhold information for internal politics motives' (interview 11).
Internal politics and the quest for power or, as referred to in the quotation by managers as being 'very conscious of their status', consumed time and effort of managers to get information they were not able to get through formal channels.

Pettigrew (1972, p. 188) wrote about individuals in an organisation who possess and control information. He called them 'gatekeepers' [more in Section 4.10.4, Centralisation of Information at PB] and showed that they have a critical role to play in the transfer of technology between and among organisations.

Managers who were skilled or in a position to manipulate the internal politics at PB were able to get the information they needed while others were denied it [Exhibit 4.6, Availability and Diffusion of Information in MAS].

'Personally I find no difficulty in getting the information I need. As for others, I expect at times it will take them some effort to get the information they need. The reason behind this could be the character of the provider of the information, or his feeling that information is power and withholding it from others gives him a feeling of importance' (interview 11).
Power from possessing and controlling information referred to in the quotation above in interview 11 agrees with Pettigrew's (1972, pp. 188, 189) description as 'the ability of an actor to produce outcomes consonant with his perceived interests...Power resources must not only be possessed by an actor, they must also be controlled by him'. Other interviewees, as in interview 8, reiterated this when saying:
'At times I find difficulty in getting information which I believe is not a result of the organisational structure. In such situations I would tell the general manager about the difficulty I face and he will get me the information I need' (interview 8).
An explanation for the situation described in the quotation above stems from the interplay of power and internal politics that influence the flow of information. A contrary opinion was explicitly expressed by other managers (interviews 11, 13) who

explained that the information gatekeeper's concept was necessary in the organisational structure.

Argyris (1971, B-279) agrees with the findings of this investigation in his discussion of the interplay of power and its effect on information and its availability by saying:

> 'the difficulties with making valid information and technical competence the new currency for power are several. First, one greatly reduces the probability that managers can order others simply because they have power, this may be threatening to executives who have, up till now, been free to make the organisations "move" even if they had incomplete or invalid information. Second...is the tendency for organisations to produce invalid information about important issues. Thirdly organizations with those properties described above, require those executives who enjoy ambiguity, the manipulation of others, and the making of self-fulfilling prophecies'.

4.10.4   Centralisation of Information at PB

'I would not say that we have centralisation of information or that information is safely guarded by an individual or department...what I can say is that we provide all departments with what information they need and they need not know what does not concern them' (interview 13).

This converges with what a number of managers said about how they knew how to get information whilst others found it difficult.

Some mangers did not rely on formal channels and procedures. They went round information gatekeepers who sit at a junction of a number of communication channels, and 'are in a position to regulate the flow of demands and potentially control decisions outcome' (Pettigrew, 1972, p. 190).

A similar opinion is offered by Drury (1996, p. 662) in the way that, 'rather than being solely oriented towards the provision of information for decision-making, accounting systems can influence the criteria by which other information is sifted, marshalled and evaluated'.

As a result, some PB managers were not able to get the information they needed- not because it was not available at PB and apart from flaws in the channels of communication, but due to formalised blocking of information by some managers to others.

'All information that I relay to the general manager and the board is centralised in my department' (interview 13).

'For the sake of protecting the secrecy of the information at the Bank, I cannot get these two reports...directly from the IT department' (interview 8).

Information gatekeepers who officially centralised information at PB decided who gets what information. From the list of programmed MAS reports [Exhibit 4.5, List

172

of MAS Reports Prepared by the IT Department] 25% of all reports went to the general manager, 61% went to the finance department and 14% went to three other departments. If we calculate the concentration of programmed reports and put aside the reports sent to the general manager, then 81% of all programmed reports go to a single department either to be used by that department or to be distributed by it to other head office departments.

The calculation above concentrated on programmed MAS reports as the IT department had a complete list of reports whereas other departments that prepared some of their reports manually did not have such a list.

The result of the situation can be observed in the redundant channel that the general manager had. All programmed reports that were sent to him were very similar in nature to those that the financial department got. It seems he felt that he needed to see for himself and reach his own conclusions from the reports he received in addition to those that he received from other managers.

When interviewees were asked about the issue of centralisation of information in the organisation, opinions were divided. Out of the 13 managers who gave relevant answers, 7 believed that information was centralised at PB and 6 thought that it was not. It is interesting to note that 5 out of the 6 who thought that information was not centralised at PB belong to the old management team who were not replaced by new managers after the current general manager was appointed in September 1997 [see more on the attitude of the old management team in Section 4.24, Epilogue]. Pondy (1981, p. 233) agrees with the findings from this investigation that centralisation of functions and intentional blocking of information in particular 'interferes with the process of individual and organisational development' that ultimately affects the ability of managers to achieve their goals.

4.10.5   Excessive Bureaucracy at PB

A further reason suggested in the interviews that hampered the flow of information in terms of quantity and timing was excessive bureaucracy. By bureaucracy the interviewees meant the volume of paper work that needed to be done and had to go through long formal channels, and number of approvals.

'To improve the flow if information I believe we should decrease bureaucracy in the Bank.' (Interview 12).
And another manager remarked that:

'If I were to follow formal channels I would not accomplish what I need' (interview 15).
Some interviewees' remarks that excessive bureaucracy was a characteristic of all Jordanian banks was investigated in the survey that covered all JCB [see Chapter 5, Section 5.27.1, Cultural Effects on Bureaucracy in JCB].

4.10.6 Lack of Documented Procedures at PB

One other reason contributing to the insufficient diffusion of information was the lack of documented procedures on what should be reported and to whom as expressed by the managers in the interviews in different ways.

Documents such as policies and procedures manuals are an efficient way to transfer knowledge through organisations (Emmanuel, et al., 1990, p. 117; Burns & Scapens, 2000, p. 269). This was of particular importance for PB with a high employee turnover, and newly introduced procedures where procedures have not yet been passed to generations of mangers to also act 'as a form of organizational memory' (Emmanuel et al., 1990, p. 117), and to act as a safeguard against 'knowledge being lost when key staff leave, to facilitate the training of new staff, or to exercise control over further modifications' (Burns & Scapens, 2000, p. 7).

In the interviews managers described the situation in PB by saying that managers are the only ones with experience in the field or *'there are no second men in the departments' (interview 7).*

'There is the manager who is experienced at his work but the rest of the staff are either new or do not have the necessary qualifications or skills to do the job. I really do not know the reason for this situation. Could it be a way to cut down operating expenses in the Bank?' (Interview 12).

These were not isolated cases as the same idea was expressed in many ways by other interviewees. For example:

'Most of my staff and those who report to me are not as well informed as I am about what goes on around them. So, I teach them how to use information and how to implement decisions taken' (interview 13).

This situation was further complicated by the fact that employee turnover was high. High employee turnover was one of the difficulties faced by managers in running their departments.

'The Bank suffers from high labour turnover and with the absence of a manual of procedures the problem is felt more as new employees do not have any documented material to rely on' (interview 11).

If we look at the number of PB employees at 31 /12/1997 around the time when the new management took over in September 1997 and compare it to the number on

21/10/1999 we find that it had increased by 40.5 %, and taking in consideration the information made available through the interviews on the annual labour turnover ratio, one can reach a conservative approximation of 65% new employees out of around 600 employees (not including lawyers in the legal department who have special contracts) at the end of 1999.

Work procedures are also an efficient way to aid organisational coordination by increasing the predictability of actions and reducing the amount of inter-organisational information flows needed (Emmanuel et al., 1990, p. 117). A further function of work procedures is 'to define and limit authority of individuals within the organization' (Waterhouse & Tiessen, 1978, p. 70).

In interview 11 the manager expressed the need to document work procedures in general and, in as far as MAS is concerned, to document the types of reports that had to be prepared and distributed to the different department. But (s)he stressed a further point in addition to the need to document procedures in the following quotation about adhering to procedures regardless of who is in a certain position.

'To document approved work procedures that have to be applied regardless of who is in a certain position or to what school he belongs' (interview 11).
The reference most likely is to managers who resort to manipulation and internal politics to get what they want.

Notwithstanding this view, documented work procedures have disadvantages such as focusing 'action controls on actions that are easy to define and monitor but that are of relatively little importance' (Emmanuel et al., 1990, p. 117), and discourage creativity, innovation and responsiveness to change (Emmanuel et al., 1990, p. 117; Waterhouse & Tiessen, 1978, p. 70).

During the time of the PB case study, a big project on documenting the work procedures of banking operations in branches was completed. However, the absence of work procedures manuals for departments meant that managers of head office departments when appointed had to experiment independently to find out what worked best for their departments. 'A vital part of communication is written policies, written procedures, and organisation charts. True absence or neglect of these would produce institutional chaos or at least a low level of receptiveness...avoiding however the rigid conformity which has a straitjacketing effect' (Hughes, 1965, p. 510).

When managers improvise work procedures this could result in a lack of co-ordination among departments. The effect would be augmented when channels of

communication are not clear, suffer from gaps, and internal politics interplay as found at PB. Crozier (1964 as quoted by Waterhouse & Tiessen, 1978, p. 70), for example, noted that, to the extent that role performance is governed by rules and is therefore predictable, role incumbents find it difficult to build power bases'.

This situation where work procedures were not adequately documented coupled with a high labour turnover worked against the smooth operations of departments which subsequently affected the ability to reach the required degree of goal achievement.

4.10.7   Other Organisational Structure Elements at PB

There was a general agreement among managers interviewed that **delineation of authorities and responsibilities of departments** should be improved. Out of 13 managers who discussed this issue, 10 thought that it was not clear or that it needed improvement.

'Responsibilities of departments are not clearly delineated at the moment. I deal directly with such cases to reach a compromise with managers of other departments. I spend 40 per cent of my time doing things that I do not consider as part of my core activities. I cannot say I am satisfied with the current procedures" (interview 7).

This has resulted in some managers not knowing who to contact to get information they need for non-routine activities.

'Responsibilities of departments are not very clear this creates confusion as to who should be contacted for each matter' (interview 9).

Naturally this slows down business and could have a negative effect -particularly when clients' interests are involved in the delay. The unclear delineation of responsibilities and authorities of departments resulted in merging of responsibilities among departments. The managers did not explicitly talk about the dysfunctional effect of the merge but they talked about trying to reach individual compromises with each other to overcome the situation and to achieve what they believed to be their mutual benefit.

Palmer (1992, p. 194) and Hughes (1965, p. 27) agree that 'lower-level employees should be educated in terms of the organisational strategy, and job descriptions and responsibilities should promote decisions that are in the long term best interests of the organization'.

Such a situation where there is no clear delineation of responsibilities of departments could result in decreased accountability and controllability. 'An accounting system must attempt to match controllability and responsibility given work circumstances

with the accounting information collected and reported' (Bromwich & Bhimani, 1994, p. 237).

This can be tied to what I mentioned earlier on lack of written procedures to set a framework for communication through which MAS can function (Section 4.10.6, Lack of Documented Procedures at PB). Researchers argue for such a framework as 'human beings perform best, most creatively, and with greatest comfort in environments that provide them with some intermediate amount of structure, including the structure that derives from involvement in authority relations' (Gross, 1965, p. 102).

A second factor that contributed to the unclear delineation of responsibilities and authorities of departments was frequent changes to the organisational structure of PB due to changes in the ownership and management [for more discussion see Section 4.1, Historical Background of PB].

Centralisation of authority in addition to centralisation of information was a characteristic of the organisational structure of PB. Some managers explained this centralisation as being peculiar to the nature of the banking business (interviews 11, 12, 13, 14), which agrees with Hofstede (1991, p. 143) that 'in whatever country all banks function more like pyramids'. However, other interviewees believed:

'The current organisational structure is not amenable to efficient and speedy communication' (interview 6).

Some researchers advocate simpler forms of organisational structure to enhance organisational flexibility with less layering to speed matters, avoid rigid bureaucracy (Peters & Waterman, 1995, pp. 270, 310), and simultaneous loose-tight properties both centralised and decentralised (Peters & Waterman, 1995, p. 15), as did 9 interviewees out of 16 at PB.

Peters & Waterman (1995, p. 314) propose a hybrid form of organisation structure one that will respond to the three prime needs: a need for efficiency around the basics; a need for regular innovation; and a need to avoid calcification by ensuring at least modest responsiveness to major threats. Not only does the organisational structure but also the sub-systems within an organisation reflect the way in which information is communicated and the ways in which controls such as budgeting are exercised (Preston, 1995, pp. 275, 276). This in turn is governed by decision-makers at PB in terms of what information is to be transmitted and to whom it is communicated.

The effect of organisational structure was discussed by a number of researchers as to its impact on MAS and its effect in general on the organisation (Gross, 1965; Hughes, 1965; Preston, 1965; Hall, 1972; Mason & Mitroff, 1973; Simon, 1977; Hopwood, 1978; Hannan & Freeman, 1981; Markus & Pfeffer, 1983; Spicer & Ballew, 1983). Simon (1977, p. 50) believes 'organisation structure, over and above standard operating procedures is itself a partial specification of decision-making programs'. MAS cannot provide a helpful tool to serve the needs of management in planning, decision-making and control in the absence of an adequate organisational structure [Exhibit 4.11, The Role of MAS in Control].

The organisational structure of an organisation affects the flow of information and the availability of information to ensure that needed information gets to the users [Exhibit 4.6, Availability & Diffusion of Information]. This concept was another point of agreement between what was found and expressed by the interviewees and between theories and findings of other researchers.

One manager said that the introduction of committees to PB by the new management has reduced the negative effect. Four of the five managers who felt that the organisational structure used at PB did not impede MAS reporting were from the old management team.

The adoption of an 'open door policy' (interviews 1, 5, 6, 8 and 15) and the introduction of committees by the general manager alleviated the negative effect of factors that impeded the diffusion of information.

'I compensate part of what management reports lack in information with what I gain from discussions within... committee meetings' (interview 7).
Most of the managers, for the reasons given above, said that they had to chase after information. The opinions ranged from a clear affirmation by four managers out of 11 who answered the question to three managers -all from the old management team- on the other side of the continuum saying they did not chase after information, four mangers whose opinions ranged in between from saying they chased after information at times or that they do not chase after information because they use their own personal means and know where and how to get the information they need [Exhibit 4.12, Structural Problems Affecting Goal Achievement at PB].

One might argue that to measure the effects of organisational structure in isolation is one of the most difficult problems (Hannan & Freeman, 1981, p. 116). It is not possible to measure the OE of PB with and without the availability of those types of

Exhibit 4.11

The Role of MAS in Control   178 A

| 1. Clear financial & non-financial goals

2. Measurements and/or standards for goals

3. Adequate structural elements

4. Adequate information needs

5. Commitment & support of top management to line mangers | ⟹ | Commitment of line managers to achieve goals | ⟹ | Improved achievement of goals |
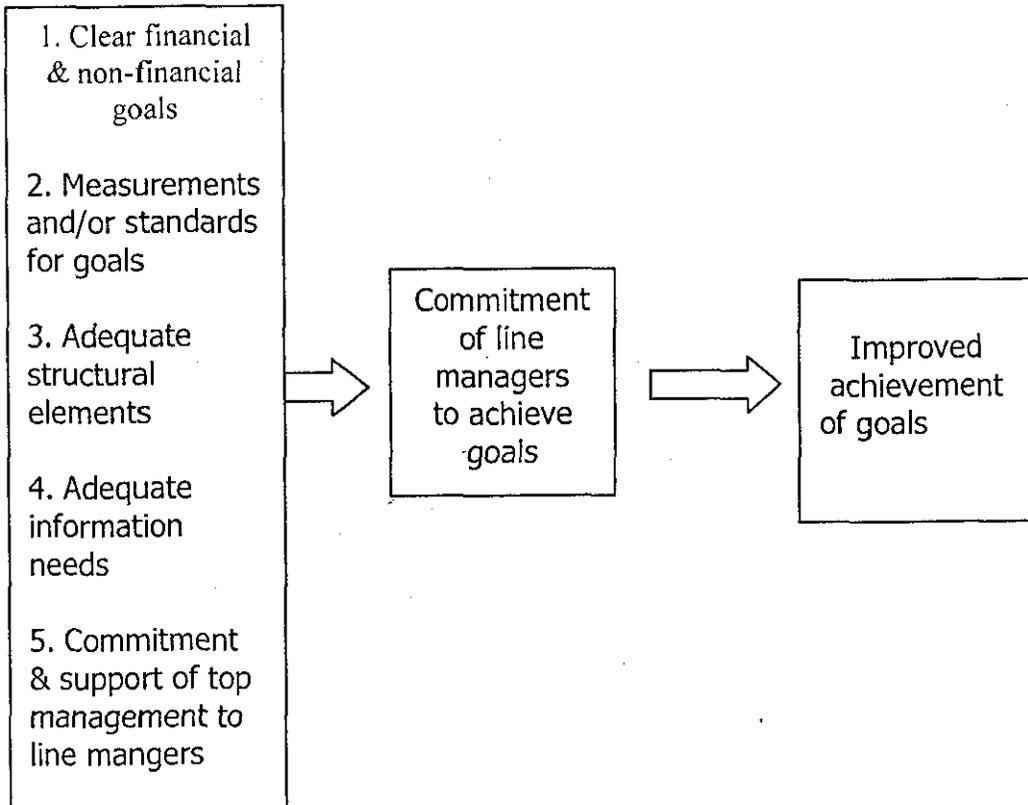
Exhibit 4.12

Structural Problems (P) Affecting
Design and Operation of MAS and Goals Achievement

```
┌─────────────────┐  (P1) Continuously changing
│                 │       organisational structure and
│   Goals to be   │          departmental responsibilities
│   achieved      │ ◄─────
│                 │ ◄──
└─────────────────┘
                     (P2)Unclear and inadequate channels
                              of communications
      ◄

  (P3) Centralisation of information
```
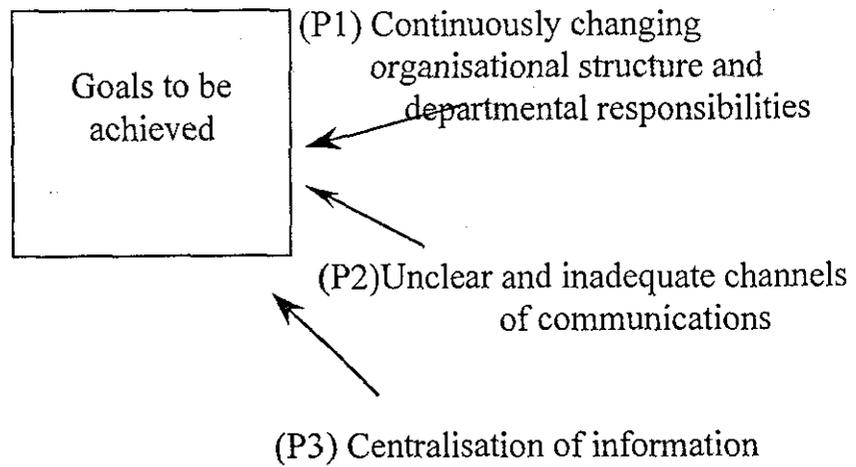
information to assess the exact impact of the unavailability of information on the external and some of the internal factors.

Nevertheless, what PB interviewees expressed agrees with Spicer & Ballew's (1983, p. 90) view that:

> 'organizational effectiveness is in large measure a function of how well organisational structure provides a basic framework for planning, monitoring, and controlling the performance of subunits and the flows among them'.

Nevertheless, one of the factors that might have helped to overcome this is 'the open door policy PB adopts' (interviews 1, 5, 6, 8 and 15). 'Getting management out of the office is another contributor to informal exchanges' (Peters & Waterman, 1995, p. 122).

One can say that, since the interviewees felt the need for that information, and since that information was directly related to the goals set or related to factors that affected the achievement of corporate goals, one can conclude that the unavailability of that information affected OE viewed as the degree of goal achievement.

A number of managers expressed their need to receive reports that were already prepared and used by other departments (interviews 7, 8, 12, and 14) but were not sent to them although they believed that those reports would have helped them in their work.

This situation augmented the effect of unavailability of information on the external environment and certain aspects of the internal environment. Managers fell into a circle of deficient information which impaired the effectiveness of their decision-making, and hindered their efforts towards a higher degree of goal achievement [Exhibit 4.10, Deficient Information Circle].

The diffusion of information that was available at PB was hampered by a number of reasons relating to organisational structure identified by PB interviewees in Exhibit 4.13:

Exhibit 4.13
Elements in the Organisational Structure that Hinder the Flow of Information

1. Unclear work procedures and lack of job descriptions.
   [See discussion in Section 4.10.6, Lack of Documented Procedures at PB].
2. Unclear channels of communication.
   [See discussion in Section 4.10.1, Channels of Communication at PB; Section 4.10.7, Other Organisational Structure Elements at PB]
3. Frequent changes to organisational structure.
   [See discussion in Section 4.1, Historical Background of PB].
4. Lack of a structure for co-ordination among the various departments.

[See discussion in Section 4.10.7, Other Organisational Structure Elements at PB; Section 4.15.4.2, Departmental Goals were not Discussed by Top Management at PB; 4.12.8, Participation on MAS Reports Design at PB]

5.   Centralisation of organisational structure.
[See discussion in Section 4.10.5, Excessive Bureaucracy at PB; Section 4.10.7, Organisational Structure Elements at PB; Section 4.12.8, Participation on MAS Reports Design at PB].

6.   Centralisation of information by gatekeepers, internal politics, feeling of insecurity.
[See discussion in Section 4.10.2, Feelings of Insecurity at PB; Section 4.10.3, Internal politics at PB; Section 4.10.4, Centralisation of Information at PB].

4.11   Characteristics and Design of MAS at PB

The characteristics and design of MAS are discussed below in Part II under 'Availability and Diffusion of Information' as the design of MAS chosen at PB affected the value and amount of information provided. This is followed by characteristics and design of MAS reports as a main mechanism for communicating information within MAS. The discussion of the characteristics of information in MAS reports is of significance for the impact it has on OE, as the design of MAS and organisation structure are all part of an overall package for OE (Gordon & Naraynan, 1984, p. 42). MAS reports reflect the approach PB's management had to using information, as well as the degree of information diffusion management believed needed to be provided.

4.11.1   The Design of MAS at PB

The question of how to design MAS in order to provide an effective framework for the generation and communication of MA information has been researched by many. A number of factors which affect MAS design were suggested in MAR developed from a contingency perspective to relate MAS design to several contextual factors such as the **decision-making style** (Driver & Mock, 1975; Hofstede, 1968; Gordon & Miller, 1976; March, 1987), **culture** (Markus & Pfeffer, 1983), **established power distributions, technology** (Markus & Pfeffer, 1983), **characteristics of the environment/social milieu** (Gordon & Miller, 1976; Hopper, 1980; Gordon & Naraynan , 1984; Ashton, Hopper & Scapens, 1995), the **performance appraisal system** (Ashton, Hopper & Scapens, 1995), the chosen **strategies** of an organisation (Spicer & Ballew, 1983; Palmer 1992, p.179), the **organisational structure** (Gordon

& Miller , 1976; Hopper, 1980; Gordon & Naraynan , 1984), **occupational culture** and professionlisation and demands of clients (Hopper,1980, p. 401), the **interrelation of man and machine** (Simon, 1977; Driver & Mock,1975), the **psychology and the problems of the users** not that of the designers of MAS (Mason & Mitroff, 1973, p. 485; King & Cleland, 1975, p. 287) see Exhibit 4.14, Factors Affecting the Design of MAS.

Emmanuel et al. (1990, p. 125) believe that, in practice, MA is used in much a wider variety of circumstances where accounting systems serve as a 'dialogue machine' rather than providing answers, as an 'idea machine', enabling creative solutions to be found to messy, ill-defined problems' (Emmanuel et al., 1990, p. 17).

Exhibit 4.14
Factors Affecting the Design of MAS

1.	Corporate culture	Hofstede, 1969
2.	Psychology and problems of users of MAS	Mason & Mitroff, 1973
3.	Decision-making style	Driver & Mock, 1975
4.	Interrelation of man and machine	Driver & Mock, 1975
5.	Organisational structure	Hopper, 1980
6.	Culture	Markus & Pfeffer, 1983
7.	Established power distribution	Markus & Pfeffer, 1983
8.	Information technology	Markus & Pfeffer, 1983
9.	Strategies of an organisation	Spicer & Ballew, 1983
10.	Characteristics & environment of the firm/social milieu	Ashton et al., 1995; Hopper, 1980
11.	Motivational factors & Performance appraisal system	Ashton et al., 1995
12.	Principles of feedback & feedforward control	Wilson, 1998

Unstructured problems are an important issue discussed by a number of researchers to be taken into consideration in MAS design (Driver & Mock, 1975, p. 492; Mason & Mitroff, 1973, p. 480; Simon 1977; Palmer, 1992, p. 194). Unstructured problems and situations or what are termed as 'wicked problems' need a framework that is more adaptable and flexible.

Well-structured situations at PB that had a framework were budgets used mainly for branches, and budgetary control. For other unstructured situations the framework provided comprised five permanent committees to deal with different matters.

There was a main committee (Assets & Liabilities committee) that met regularly every month, and other sub-committees that were responsible for specific matters

such as a deposits committee, a credit facilities committee, and an investment committee among others [see more in Section 4.23.2, Committees at PB].

Added to a framework to deal with both structured and unstructured situations there is the matter of whether to deal with *ex ante* or *ex post* decisions. *Ex ante* decisions address issues concerned with planning [discussed in Part III of this chapter] which call for:

-   The availability of information needed for *ex ante* decisions and planning
-   Clearly identified corporate and business goals
-   Communication channels through which MAS can operate.

The distinction between these two types of decision situations affects the type of accounting information that is appropriate (Emmanuel et al., 1990, p. 7). Otley (1980, p. 421) and (Palmer, 1992, p. 199) add to the argument the consideration of the fit among MAS and other information systems as part of an organisational control package. The design of the required MAS to produce desired results in goal achievement should avoid implicit assumption 'that there is one and only one concept of information that qualifies as information for all people, problem and situations. One can only hope that we will learn to develop information systems that are more adult in the humane sense' (Mitroff & Mason, 1983, p. 198).

One should also consider the interrelationships between the contingent variables mentioned above -particularly as this research deals with MAS for decision-makers whose tasks are relatively non-routine and who require expert knowledge, and that this research looks into all of the factors in Exhibit 4.14, Factors affecting the Design of MAS, together and not in isolation as was done by the different researchers who proposed the factors.

Below is a discussion of the contingent factors that affect MAS design. To avoid repetition of some of the variables discussed elsewhere, cross references to the relevant sections is stated under each sub-section.

4.11.1.1   Effects of Strategy on Design of MAS at PB

Strategy is somewhat different from other contingent variables. In a sense it is not an element of context, rather it is the means whereby managers can influence the nature of the internal and external environments, the technologies of the organisation, the

structural arrangements, and the corporate culture [see more in the discussion in Section 3.15.1.2, Role of MAS in Communicating Organisational Climate].

MAS on their part assist managers in formulating strategy of 'markets and products, required technologies and appropriate structures' and in focussing on implementation of strategies. (Chenhall, 2003, p. 151). For control purposes MAS reinforce long-term strategies and continuous cost reduction (Bromwich & Bhimani, 1994, p. 126; Hiromoto, 1991, p. 2). MAS can also be linked to companies' strategies for innovation (Hiromoto, 1991, p. 2).

Wilson (1995, p. 160) identified three levels of strategy: (1) corporate strategy where resources are allocated amongst various businesses or divisions of an enterprise, (2) business strategy at a level of a particular business or division dealing mainly with competitive position, and (3) functional strategy, where corporate and business strategies are cut down to less abstract and more specific tasks. The PB case study looks into the corporate and business strategies.

4.11.1.2   Effects of Corporate Culture on Design of MAS at PB

The design of MAS at PB reflected variables from different corporate cultures as a result of changes of top management and the existence of sub-cultures (Hofstede, 1968) [see more in Part V, Section 4.23, The Effects of Corporate Culture on MAS at PB]. Top management shape the fundamental process by which organisational cultures are formed and changed (Johns et al., 2002, p. 89; Waterhouse & Tiessen, 1978, p. 65).

The influence of the decision-making style (Driver & Mock 1975) on the design partly reflected the new group decision-making style through committees that was introduced by the current general manager. Nevertheless, the partiality of the designer of the system could be found as well through centralisation of information and insufficient financial and non-financial information [see Section 4.10.7, Other Organisational Structure Elements at PB; Section 4.18.2, Non-Financial Performance Evaluation Measures Used at PB]. 'At the individual level facts are identified and selected on the basis of the subjective perspectives and values of accountants which are influenced by particular personal experiences in education, training and employment (and more generally by their status, age, gender, race and other extra-organizational factors)' (Jones, 1992, p. 133).

Decision-making styles of individual managers and their perception of the relevance of the information to their decisions need to be studied so as to appreciate their influence on the organisation and MAS. The influence of the individual manager on the design and role of MAS cannot be brushed aside (Markus & Pfeffer, 1983, p. 215) any more than can the influence of the corporate culture. Organisations assume an existence of their own and become social actors in their own right while still being influenced by individuals.

4.11.1.3 Effects of Information Technology on MAS Design at PB

As used in this research, IT refers to hardware (such as machines and tools), materials, people, software and knowledge (Chenhall, 2003, p. 139). The way in which information technology and its developments affect JCB, as described by the interviewees, is similar to the effect of IT on British banks as Howcroft & Hamilton (1999, p. 69) describe it has 'enabled banks to access their databases in cost-effective ways and thereby convert essentially bland data into knowledge and information about specific segments of their customer base'. It has also enabled managers to be informed to a far greater extent than ever before about all aspects of their company's operations (Ashton et al., 1995, p. 3).

In addition to the overall benefits an organisation gets from new advanced technology, in banking operations in particular 'as a bank moves through the phases from profit center to customer profitability the utility of information becomes greater as the data becomes more specific and therefore more relevant to decision making style' (Rezaee, 1991, p. 35). The storing, analysis and reporting of such critical information was made possible by technological advancement.

4.11.1.4 Effects of Organisational Structure on MAS Design at PB

It is of importance for MAS to be tailored to an organisation's organisational structure (Gordon & Narayanan, 1984, p. 33). An empirical study by Gordon & Narayanan (1984, p. 42) suggested that, as decision-makers perceive greater environmental uncertainty, they tend to seek external, non-financial and *ex ante* information in addition to other types of information and increasingly move toward an organic form of organization. Gordon & Narayanan (1984, p. 37) discuss whether *organisational structure decisions precede decisions on characteristics of information* if so, then organisational structure would reflect the type of organisation as being

either organic or mechanistic as defined by Burns & Stalker (1994, p. 97), and is consequently reflected in the characteristics of information: non-financial, *ex ante*, and external. Different forms of organisational structure will require different types of accounting information to be provided (Emmanuel et al., 1990, p. 52). The effects of organisational structure on the types of information provided at PB is discussed in detail in Section 4.10.1, Channels of Communication at PB; Section 4.10.4, Centralisation of Information at PB; and Section 4.10.7, Other Organisational Structure Elements at PB, in that certain types of information were available to the interviewees and not others.

Organisational structure also plays an important role in transmitting corporate culture and giving continuity to the past (Bate, 1984, p. 46). In the context of MA change it is discussed that management might initiate change and therefore, organisational structure change could precede change in information characteristics, or it can be influenced by MAS users and/or management accountants and consequently might not be preceded by a change in organisation structure. Nevertheless, Gordon & Naraynan (1984, p. 43) suggest that MAS can be used in a proactive way in initiating change in organisational structure if organisational structure is considered as an intervening factor between environmental conditions and OE.

It would be worth repeating here that PB managers believed the organisational structure was not amenable to good communication and did not enhance the role of MAS (Hopper 1980). MAS at PB also reflected the problems of clarity and of gaps in the communication channels [Section 4.10, Factors Hindering Diffusion of Information at PB].

4.11.1.5   Effects of Size on MAS Design at PB

Size of an organisation has been discussed by many researchers and often with contradicting findings. Some suggest that size is 'the major factor' in determining the 'shape' of the organisation (Pugh et al., 1969; Child & Mansfield, 1972 as quoted by Ford & Slocum, 1977, p. 564), others find that size is not 'the critical factor' in determining the form of the organisation (Hall, 1972, p. 112; Aldrich, 1972 and Mayhew et al., 1972 as quoted by Ford & Slocum, 1977, p. 566).

As an organization becomes larger, the need for managers to handle greater quantities of information increases and consequently the role of MAS in larger organisations to a point where they have to institute controls such as rules,

documentation, specialization of roles and functions, extended hierarchies and greater decentralization down hierarchical structures (Child & Mansfield, 1972, as quoted by Chenhall, 2003, p. 148). However, Chenhall (2003, p. 148) observes that few studies have considered size as a contextual variable in studying information systems as studies have examined relatively large organisations. Findings by McNally & Eng (1980, p. 150) from data collected on New Zealand companies, lend support to the growing evidence that companies which use more sophisticated MA and decision-making techniques are frequently larger and outperform those that have failed to adopt those techniques'.

Number of employees seems to be a measure favoured to estimate the size of an organisation (Ford & Slocum, 1977, p. 569; Loan-Clarke et al., 2000, p. 180; Chenhall, 2003, p. 149) although there is disagreement as to which members should be included (Ford & Slocum, 1977, p. 569). Loan-Clarke et al. (2000, p. 180) mention a tentative measure in Europe of medium-sized firms to be 200-250 employees and the latest EU definition of medium-size businesses with up to 250 employees [see Section 4.1, Historical Background of PB]. The number of PB employees on 31/12/1999 was 600 which makes it a relatively large bank.

4.11.1.6   Effects of Psychology of Users on MAS Design at PB

The influence of individual preferences and inclinations means that a system of accounts and reports that is useful for one decision-maker is not guaranteed to be useful for another. An information system must be attentive to properties of individuals and organisations even when those properties are disconcerting (March, 1987, p.161; Shields, 1997, p. 27).

This fact can have an implication for the quality of information provided in MAS reports as, when a good understanding of the users' needs and psychology is established, the quality of reporting is expected to be improved. In such a situation characteristics of the information provided would be geared to the use to which it would be put.

The influence of designers, compilers, and initiators on the design of MAS and MAS reports resulted in the fact that they did not correspond well to the psychology and problems of the users of MAS as designers and users of information systems 'have fundamentally different motivation and attitudes that may lead to very different

perceptions' (Pierce & O'Dea, 2003, p. 258) [see Section 4.12, Characteristics and Design of MAS reports at PB].

Differences in the assumptions over the psychology of users embodied in MAS design is an explanation of what is discussed in Section 4.7.2.1, Description of Availability of Information at PB, in that eight interviewees out of the 14 who received MAS reports said they did not find them useful [see also discussion in Section 4.18, Role of MAS in Providing Information on Performance Evaluation at PB].

4.11.1.7   The interrelation of Man and Machine

The interrelation of man and machine is discussed in detail in Section 4.13, The Use of Computers in MAS.

4.11.1.8   External Culture

The Effects of External Culture on MAS is discussed in detail in Part V.

4.11.1.9   Characteristics of Environment of the Firm/Social Milieu

Characteristics of environment of the firm/social milieu are discussed in Part V, The Effects of External and Internal Cultures on MAS.

4.11.1.10   The Established Power Distribution

The established power distribution is discussed in detail in Section 4.10.1.3, Internal Politics at PB.

4.11.1.11   Motivational Factors and Performance Appraisal System

Motivational factors and performance appraisal system is discussed in detail in Section 4.18, Role of MAS in performance Evaluation at PB.

4.11.1.12   Principles of Feedback and Feedforward

Principles of feedback and feedforward are discussed in detail in Section Part IV, Emphasis on Control Function as Compared to Planning.

4.12   Characteristics and Design of MAS Reports at PB

The characteristics and design of MAS reports are discussed in relation to characteristics of information identified by Gordon et al. (1978, p. 207):

- Time horizon of MAS reports
- Orientation of information
- Format of MAS information
- Frequency of MAS reports.

In addition to characteristics that were found of relevance in MAS reports in PB:

- Financial information at PB
- Age of reports at PB
- Over-information in MAS at PB.

4.12.1 Financial Information at PB

MAS reports in PB were characterised by predominantly financial information. Four out of the 14 managers who received MAS reports said that the reports contain non-financial information compared to all 14 saying that the reports that they used contained financial information. Only one manager used reports that had analysis [for more see Section 4.15.7, The Role of MAS in Providing Non-Financial Information for Planners; and Section 4.18.2.1, Reliance on Financial Measures in MAS Information at PB].

Example of the type of non-financial information mentioned by managers is information found in the 'current/potential clients visit report' where branch managers would keep the executive manager for marketing informed of the field visits and of the points discussed in the visit, the outcome of the visit, and suggestions and propositions offered by the employee who visited the potential/current client.

Another example of the non-financial information in MAS reports was in the annual report of employees' performance evaluation which the personnel manager received – this being one of the four above-mentioned managers.

The report asks each employee's senior manager to fill in a form to evaluate different attributes of the employee such as employee's awareness and knowledge of the requisites of his/her job, policies and procedures related to the job, or information about an employee's communication skills, his/her ability to express, explain, and justify her/his ideas.

4.12.2 Time Horizon of MAS Reports at PB

The time horizon (Gordon et al., 1978, p. 207) of MAS reports was *ex post*. All 14 managers received reports that were backward-looking and contained historical information [more on backward-looking MAS reports in Part III, Backward Emphasis in MAS at PB].

The answers of the interviewees on the **focus** (Gordon et al., 1978, p. 207) of historical information in the reports was specific and narrow and used mainly for *control purposes as incoming MAS reports showed this characteristic.* Thirteen managers (not including the general manager) said that incoming reports provided them with feedback. While 10 of the 13 said that, in addition to feedback, they used the reports for control and performance evaluation purposes, only 3 stated that the purpose was planning and decision-making.

This is again emphasised by the fact that 11 managers used MAS reports as the most important feedback control mechanism. Consequently, the majority of reports contained information that was specific and narrow in nature to enable managers to exercise control over branches but not other head office departments as control over those was not exercised [more on this in Part IV of this chapter under Emphasis on Control Function as Compared to Planning].

4.12.3   Orientation of Information at PB

The orientation (Gordon et al., 1978, p. 207) of MAS reports used was all internal dealing with matters that have to do with feedback control. However, the role of MAS in providing management with information to achieve a higher level of OE is not served only through internal control information on PB's departments [this was discussed previously in Section 4.7.2.1, *Description of Availability of Information at PB*, and Section 4.7.2.2, Information on the External Environment at PB].

4.12.4   Format of MAS Information at PB

The format (Gordon et al., 1978, p. 207) of MAS reports was predominantly figures and/or tables as all managers who received MAS reports said that the reports contained only figures. Only 4 managers said that they received, in addition to reports containing figures, other reports that are mainly descriptive in nature such as the marketing form used by branch managers that describe their visits to current or potential clients. One manager - Human Resources manager - said that some of the MAS reports sent to the general manger would contain charts to explain data.

MAS reports used predominantly figures or tables were not a problem to the managers as all interviewees who did receive reports had accounting degrees. This agrees with what Lau & Tan (1998, p. 164) found in their fieldwork on financial managers in Singapore and Australia.

4.12.5 Frequency of MAS Reports at PB

The frequency of MAS reports is an important dimension of MA information (Waterhouse & Tiessen, 1978, p. 74; Johnson & Kaplan 1987, p. 160; Gordon et al., 1978, p. 207; Emmanuel et al., 1990, p. 6). Most MAS reports, other than those for the general manager, were provided daily. This reflects on the one hand the nature of banking work and the need for close supervision over the movement of funds. On the other hand, the near absence of reports of longer time periods reflects the emphasis on operational control.

4.12.6 Age of MAS Reports at PB

This characteristic of the age of MAS reports might also be linked to what is mentioned in Section 4.12.8, Participation in MAS Reports Design at PB that some managers did not find them as useful as they would like them to be. Some of them were not changed for years whereas the goals, policies and corporate culture had changed a number of times over the past five years [see Section 4.1, Historical Background of PB].

When asked how long have they been using the reports, out of the 10 relevant answers five specifically said that they have been used 'for a long time'. The remaining two managers said their departments were newly formed so the reports they used are only few months old.

4.12.7 Over-Information in MAS Reports at PB

Another characteristic of MAS reports used at PB was over-information and not using reporting by exception. 'Over-information reduces the effectiveness of a report' (Hofstsede, 1968, p. 210) as can be seen from the general manager's statement:

'I cannot afford to spend time reading it all. What I need is a one-page summary containing all the vital information that is directly related to my decision' (general manager interview).

Reports were not geared to the needs of the users. One of the prominent drawbacks was the length of the reports instead of giving due emphasis on exceptional matters.

To give one example from many, the monthly reports of one department were all sent again to the general manager at the end of the year in a single report. A balance should be kept between needed detail and excessive detail (Palmer, 1992, p. 200).

4.12.8   Participation in MAS Reports Design at PB

The design of MAS reports suggests an influence of financial accountants in emphasising historical internal data, figures, and in focusing on control which, although greatly needed, does not fulfil the needs of senior managers involved in planning and decision-making. 'However, participation appears to be a necessary, but not sufficient, condition for accounting information to be seen as relevant' (Emmanuel et al., 1990, p. 99) [see more on participation in Section 5.13.7, Managers' Participation in MAS Reports Design in JCB].

It is worth mentioning here a summary of the answers of the managers relating to involvement in the design of MAS reports that they used. Ten out of the 13 managers (excluding the general manager) who received MAS reports used reports that were designed by the compiler(s) of the reports. Only 2 managers used reports designed by them and just one manager said that the reports he used were designed in collaboration with the compiler(s).

On the other hand, a number of managers said that they had the 'freedom to make any changes in the design of reports'. This might suggest a lack of co-ordinating effort between users and prepares of reports, and that the work procedures at PB were not very clear on the process of generating and communicating MAS information and what that entails.

The design and characteristics of MAS reports used at PB to transfer information among departments on factors internal and external to PB must convey the need for external non-financial information, the need for revising and updating reports to suit the continuously evolving demands of managers due to changes in the external environment, in goals, policies, and in corporate culture.

4.13   The Use of Computers in MAS at PB

4.13.1   A Description of the IT System Used at PB

The IT system at PB uses a banking system application which enables branches to perform accounting transactions such as deposits, credit facilities, setting limits for

control purposes, and other transactions on clients' accounts. Branches are also able to execute transactions such as loans, transfers, L/Cs, and other banking services using a business model. The application also covered the work of the dealing room.

The system is a distributed system; each branch can operate independently and can have inter-branch transactions. It is all linked to the head office, with a primary copy in branches and a secondary copy in head office. The computer system was first installed in 1995 and it was not until 1997 that all branches and head office department were networked.

Upon the general manager's request, at the time of the study, not all head office departments were on-line. Most PCs at PB were stand-alone and were not connected to PB's network. This situation affected speed and availability of information as well as increasing the incidence of errors in re-keying.

4.13.2   Factors that Hindered the Use of IT in MAS at PB

Most managers interviewed were partially satisfied with the IT system not in terms of its capabilities but in the way in which it was used and the support it offered them. PB interviewees (8 out of 12 managers) thought the way the system was employed needed improvement. Out of the 4 managers who said they were satisfied 3 were from the old management team.

'The current reporting system can be improved by programming all reports that are currently prepared manually from data already stored in the computer system' (interview 6).

Three main factors hindered better utilisation of the IT system within MAS:

1   Psychological gap between managers and computers.

2   Ineffective use of IT system capabilities.

3   The restructuring Stage at PB.

4.13.2.1   Psychological Gap between Managers and Computers at PB

'There still exists a gap between managers and computers' (interview 3).

It is 27 years since Simon (1977, p. 20) wrote that 'the interrelation of man and machine will become -is becoming- quite as important a design problem for such systems as the interrelation of man to man', and it is 36 years since Hofstede (1968, p. 208) wrote that modern managers are becoming much more information-dependent and learn to use information. After more than two decades this same interrelation between man and machine was still an evident impediment for PB

interviewees. It has led to lost opportunities in taking more advantage of what modern technology can offer for MAS and after more than 30 years the dependency on information grows even bigger.

Most interviewees, apart from branch managers, did not use computers for their work themselves. Two reasons can be given:

(1) Their feeling that their staff provided them with their needs (interviews 8 & 2). For the most part assistants would provide them with written reports based on information retrieved from the IT system.

(2) To cut down costs (interviews 7, 10, 11, and 12).

The IT department manager obviously needs to have a PC in his office, as do the three branch managers who need them to approve certain transactions that exceeded the branch tellers' and supervisors' authorisation limits. Out of the 12 interviewees left 7 did not have PCs in their offices, either because they did not want to, or they did not *'have a PC in (their) office(s) as part of the Bank's policy to control costs' (interview 7).*

'The computer culture is not properly diffused in the bank still'
(interview 14).

'At the moment not all head office departments are on line and that is at their request' (interview 3).
The idea of culture affecting the adoption of technology is shared by many. Johns *et al.,* (2002, p. 85), describe culture as a key factor in the decision to implement technology. Jones et al. (2002, p. 86) quote Eining and Owen (1994) on the effect cultural and socio-economic differences have on the way in which technologies are accepted by people in a society, and in the effect social 'values shape people's behavior and their utilization patterns of technology within the organization'. Schein (1985 as quoted by Johns et al., 2002, p. 90) shares the same opinions on using technologies:

> 'The introduction of any new technology into an occupation, organization, or society can be seen as a culture change problem, and if the new technology is to succeed, management must recognize that any resistance is not to the technology but to the cultural change implications of its introduction'.

The gap was reflected not only in the way in which managers at PB used computers but also in not fully appreciating the capabilities of computers to exchange information.

'People from other departments do not seem to appreciate the complexity and amount of work designing and programming a report needs' (interview 3).

When managers felt that certain reports needed to be computerised *'they want it the next day' (interview 3).*

Another aspect of the computer gap could be seen in that:

'There is no e-mail service as management fears that employees will use it for private communications and that will be a waste of time and money' (interview 3).

This reflects two further aspects of the gap - one relating to top management and the second to other managers at PB. Management it seems was not fully convinced of the great potential value which computers can provide an organisation, and the feeling exists that employees have to be controlled all the time to prevent their misusing computers and computer services.

This phenomenon can be explained as a reflection of the general state in Jordan concerning advanced communications. A report published by the International Economic Forum on international competitiveness (1999) showed that Jordan comes at the lower end on an indicator to measure IT development. Only four out of 1000 persons (logarithmic average) in Jordan use the Internet (*Economic Outlook*, p. 7).

Despite what is said about globalisation and the world as a global village, cultural differences affect the ways in which technology is adopted and used in different cultures as can be observed in the case of PB.

4.13.2.2   Ineffective Use of IT System Capabilities at PB

'The IT system is currently used mainly as data processing (and to). store raw data' as an information silo although, *'the abilities to do more analysis are available in the system' (interview 3).*

There was certainly a felt need by the managers that *'these reports are time consuming as they contain a lot of figures. (They) get the figures from the system but the report itself is not programmed' (interview 9).*

Technically speaking *'it (IT system) is one of the best systems in the country as we have avoided most of the mistakes those banks that introduced computerisation before us suffered" (interview 6).*

Simon (1977, pp. 108, 117) commented on similar situations by saying 'the scarce resource today is not information, but capacity to process it... The main issue is how to take advantage of the greater analytic capacity, the larger ability to handle the interrelations of things, that the new developments in decision-making provide' (stress added) and at a greater speed.

The IT system used at PB, as described by the IT manager, has the capabilities to handle a large variety of applications and undertake high levels of analysis in reporting but its full potential was not fully used.

Among the factors said to affect the degree of usefulness and the impact an IT system can have on the performance of an organisation and, consequently, on the value placed on it by the shareholders are: how responsive an IT system is to the organisation's needs, the degree to which technology is used to support the effective and efficient operation of any financial institution, and the extent to which technological solutions assist the organisation to respond to changes in the market (Mabberley, 1992, p.109; Kaplan & Norton, 1992, p.75). Mason & Mitroff (1973, p. 484) stressed the use of IT in addition to other tools for effectiveness display and channelling of information such as stories, art, graphics, one-to-one contact and group discussions.

The capabilities of the system were highly praised by the interviewees, but that on its own was not sufficient in generating and communicating information. Out of 12 relevant answers only four managers said they were satisfied with the support the IT system gave them. The rest all agreed that needed improvements had to be introduced so that the system can respond to their needs. The main reason given by the managers to the unresponsiveness of the IT system to the needs of managers was lack of qualified employees.

Similarities to these same ideas are reiterated by Vandenbosch and Huff (1997, p. 97), that it is not adding more information but it is the type and processing of information and how it can be used that are more important, and that IT systems provide cross functional information and the ability to combine information from diverse sources in a flexible manner rather than act as information silo [see discussion in Section 4.15.1, How Managers Used Historical MAS Reports; and Section 4.15.5.1, Short- and Long-Range Planning at PB].

These opinions of researchers mentioned above were not always found at PB. The IT system was mainly used as a data-processing system. Cross-functional analysis and combining of information was only done to the degree of showing results of successive periods and a comparison between the two. The on-line network did not provide managers with the possibility of scanning different levels of information [Exhibit 4.12, Structural and IT Problems Affecting Design and Operation of MAS and Goal Achievement at PB]. The unavailability of qualified staff to make better

use of the collected information in producing more useful reports in terms of analyses, presentation, and cross-functional information added to the ineffective use of the IT system [Exhibit 4.15, Structural and IT Problems Affecting Design and Operation of MAS and Goals Achievement at PB].

4.13.2.3   The Restructuring Stage at PB

In addition to the cultural factor that was discussed in terms of a gap between managers and computers as a factor that played a part in the limited utilisation of the capabilities of the IT system [see more on the cultural effects on MAS at PB in Part V of this chapter], a second factor that might have contributed to the limited use and benefit obtained from the IT system was the restructuring stage.

The restructuring stage might have caused what was observed by Vandenbosch & Huff (1997, p. 81) namely that, although the higher the 'perceived environmental uncertainty,...the greater the felt need for information...When uncertainty is overwhelming individuals often resist "wasting time" in scanning, preferring to focus on those aspects of a situation with which they are comfortable'.

Although the new management team was trying to produce a more stable internal environment by setting work procedures in branches and departments, this was accompanied by cutting down of costs including expenses on expansion in the use of computers, hiring qualified employees, training staff, and providing more research facilities to sustain development of information systems at PB including MAS. Cutting costs can be a critical factor in destabilising 'an environment and a set of attitudes that encourage experimentation' (Peters & Waterman, 1995, p. 136) in addition to the effects on training of managers as a success factor of organisations (Loan-Clarke et al., 2000, p. 177).

The restructuring stage might also be responsible for the concentration of access to printed MAS reports within the IT Department. The printing out of programmed reports was centralised in the IT Department and then reports were distributed to head office departments, while branches printed their own reports.

A reason given for centralising printing programmed reports in the IT department at the head office was because the IT department felt that staff at head office departments were not adequately trained to use this function at the moment, and entering wrong instructions would result in loads of unwanted reports being printed out.

Exhibit 4.15

Structural and IT Problems Affecting Design
and Operation of MAS and Goals Achievement at PB

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┌─────────────┐
│             │          (P1) Continuously changing
│ Goals to be │              organisational structure,
│  achieved   │   ◄────   and departments' responsibilities
│             │
│             │  ◄──
└─────────────┘
            ▲    ◄──
            │      ╲    (P2)Unclear and inadequate  channels
            │       ╲        of communication
            │        ╲
            │         (P3) Centralisation of information
            │
   (P4) Ineffective use of IT
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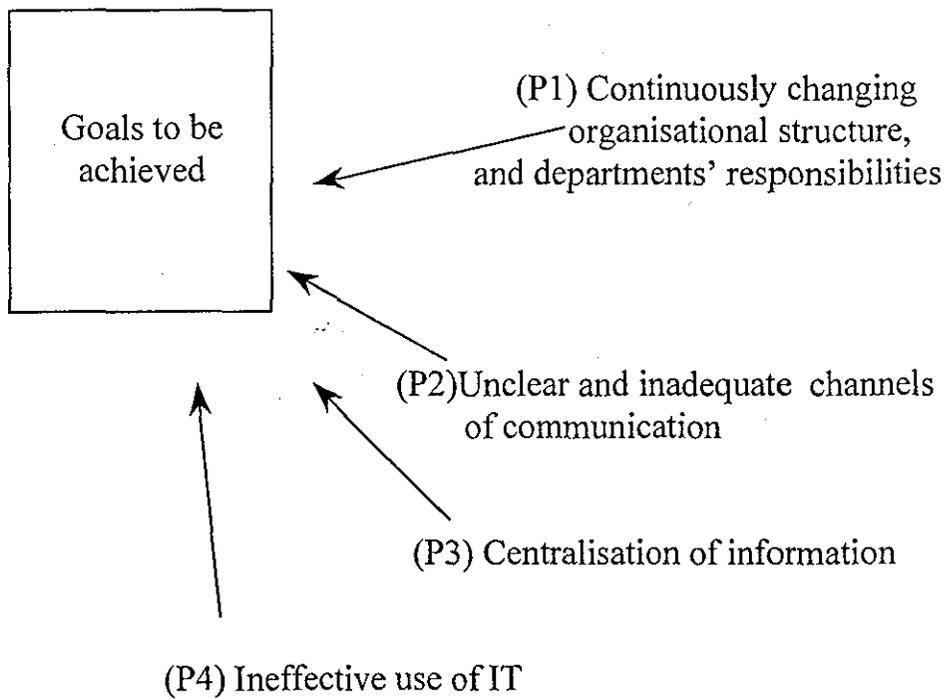
PART III THE ROLE OF MAS IN PLANNING AND DECISION-MAKING AT PB BACKWARD EMPHASIS IN MAS AS OPPOSED TO A FORWARD OUTLOOK

4.14 Introduction

Emmanuel et al. (1990, p. 8) argue that planning and control in the wider sense are 'two sides of the same coin and must be considered together', and that planning is a form of control and control must involve the setting of objectives and plans (Emmanuel et al., 1990, p. 126). However, for clarity and emphasis on planning activities the different aspects of the two functions are discussed separately in Parts III and IV.

To implement the vision and set long-term corporate goals and operational goals of an organisation a forward-looking reporting system or a 'pre-decision information system' as defined by Baiman (1982, p.191) is needed. To draw future plans an organisation has to know more than *where does it stand now?'*, the answer to which is provided by an historical backward-looking accounting information system.

The management of an organisation needs internal management reports to provide the different levels of management with information to aid and enhance planning, referred to in the Wilson & Gilligan Model (1997, p. 6), as stage 2 *'where do we want the organisation to be?'*

From this second step onwards and the entire following sequence of stages, *'how might an organisation get there?'* *'Which is the best way?'*, *'How can arrival be ensured?'* (Wilson & Gilligan, 1997, p. 6), all these stages require a forward outlook needing the support of an outward and forward-looking MAS.

Information is provided through MAS for both short-range and long-range planning, and for the co-ordination and harmonisation of both time phases for planning and control activities in an organisation.

A forward-looking information system should concern itself with providing 'an understanding of the system behavior, losing sight of objectives, and of the decisions that are to be made, sometimes leads strategic planning efforts into an excessive occupation with prediction' (Simon, 1977, p. 130).

Our findings on the role of MAS in planning and decision-making from the analysis of collected data are stated in Exhibit 4.13. This section discusses the first two findings. The last three are discussed in Part II 'Availability and Diffusion of Information'; in Section 4.7, Introduction; Section 4.7.1, Why Information?; Section

4.9 Diffusion of Information at PB; and Section 4.10, Factors Hindering Diffusion of Information at PB.

4.15   The Role of MAS in Supporting Planning and Decision-Making at PB

The following quotations from the interviews shed light on how well what was practised at PB in relation to long-term planning:

'Once I am done with this plan I will think about what's next' (interview 11).
Or as expressed by another manager:

'As new matters come-up all the time the general manager asks me to see to certain things. In such cases I will give his request priority over what I have planned for myself' (interview 8).

'Planning takes little of my time although it should be a primary core activity' (interview 7).
These managers' views were not isolated cases. Other managers, due to inadequacy of relevant information needed for planning and decision-making and looking at their daily tempo at work, talked explicitly about the difficulties they face (interviews 5, 6, 8, 11, 13, and 16). Few managers were involved in planning or received MAS reports that helped them in planning.

'I assume they (top management) do have a plan and that they discuss targets' (interview 7).
Eight managers out of the 15 (excluding the general manager) said they were not involved in planning for their departments/branches. The general manager was dissatisfied with MAS reports for planning purposes.

4.15.1   How PB Managers Used Historical MAS Reports

The backward orientation of information in MAS reports used at PB can be seen in that most reports received by managers reflected the current state of matters instead of having a forward-looking orientation. Twelve out of 13 managers in addition to the general manager said that incoming MAS reports helped them in knowing where they were and in identifying problem areas, which implies historical information.

'The reports I receive help me in knowing where I am with the historical information they include. However, they do not help me to plan for the future' (interview 13).

'What I want to see is that, when I need to take a decision, I should rely 80 % on information provided to me by my staff and 20 % on my own experience. What is actually happening is that I have to rely 70 % on my work experience and just 30 % on the information provided to me' (interview 16).

A similar situation is described by Argyris (1971, p. B-280): 'in the past, when data was very incomplete much of the intuition used by managers was to fill in many blanks with possible valid data. This meant that managers focused on immersing themselves "in the facts" especially as revealed by past practice'.

When the managers were asked how they used incoming MAS reports only three out of 15 (excluding the general manager) said they used them for planning, while 13 managers used them for feedback control. On this theme Mason & Mitroff (1973, p. 477) call for a balance between a purely scientific approach to planning for the future and 'the gutsy risk-taking and intuition', neither of which would produce the desired results.

This characteristic of backward-looking reports is reflected also in the qualities that managers like to find in the reports: 4 managers out of the 15 wanted the timing of incoming MAS reports they received to be improved. They felt that they needed to get information earlier than they were currently getting it.

For example, the manager in interview 1 said that (s)he received MAS reports from branches and head office departments through the internal mail, which meant (s)he did not receive them on the same day, so (s)he had to act immediately on information given to him/her by telephone, then wait for the reports to come in to finish documentation and the necessary paper work.

A third manager explained the source of the delay was that MAS reports were not sent directly from the computer department but rather had to go first to the finance department.

Clearly for feedback control timing for corrective action to assess deviations carries a great weight. The same applies to MAS reports where their main purpose was control as stated by 10 managers out of 15.

What was expressed by the interviewees agrees with King & Cleland (1975, p. 289) that designing an information system 'which has the objective of supporting corporate long-range planning will have a user set which is quite different than the set for a production control system'.

4.15.2   Corporate Goals of PB

Setting corporate goals vis-à-vis the different external and internal stakeholders is not part of the role which MAS is expected to fulfil. However, MAS can provide support for setting goals which is a factor that can have a critical effect on the effectiveness

of MAS in supporting an organisation's management in achieving those goals and consequently enhancing OE.

Management accountants are in a position to provide the necessary support for goal-setting (Palmer, 1992, p. 181; Jaggi & Mensah, 1995, p. 15) thanks to the 'access to a broad base of organizational information that enables the accountant to derive an integrated understanding of the history of the organization and its productive process, a view often unavailable to peers in marketing, engineering, or management. This knowledge may help the managerial accountant to provide critical input into the strategic planning process' (Palmer, 1992, p. 181).

Palmer (1992, p. 195) argues that management accountants have a role in setting corporate goals to protect management against unreasonable expectations by 'verifying that the mission and objectives established are consistent with the financial resources of the organization'. This corresponds to the stages of *'how might an organisation get there?'* and *'which is the best way?'* through MAS in planning and control that are congruent with the underlying values, goals, and strategies of the firm (Kaplan, 1984, p. 414; Palmer, 1992, p. 182).

The design of MAS should facilitate the provision of information used for setting targets and future plans. MAS uses the channels of communication designed through the organisational structure to adequately diffuse information. Nevertheless, we should keep in mind that the designers of MAS are influenced by a variety of factors such as their own backgrounds, sub-cultures, psychological dispositions, philosophical outlook, and professional training.

For five years from 1994-1998 PB's management has continuously stated the following goals in its successive annual reports:

1. Increase PB's market share in deposits.

2. Increase low cost financial resources.

3. Collect debts incurred before 1993.

4. Develop employees' technical skills (stated in 4 out of 5 annual reports).

5. Develop PB's services and provide new services and products to meet the needs and preferences of clients.

The corporate goals in the case study were decided by top management comprising the general manager, the chairman, and the board of directors. Setting corporate goals has always been regarded as the prerogative of top management.

Understandably, top management has to take the interests of the different stakeholders into account when setting corporate goals.

One problem noted within the goal concept is the 'multiplicity of goals' (Hannan & Freeman, 1981, p. 122) and sub goals of organisations (Seashore, 1965, p. 26), in addition to the variety of dimensions of the goals and the possibility that these dimensions are uncorrelated (Pfeffer, 1981, p. 137). As a result, management cannot maximize all of the organisation's goals simultaneously. Consequently, management 'must consider their trade-off value, their contingencies, and presence of negative correlation among them' (Seashore, 1965, pp. 26, 27). [See more in Section 3.25, Characteristics of Goals Used in the Goal Model for Assessing OE.]

In addition to the above, when deciding on corporate goals top management cannot escape the past history of the organisation nor the need to incorporate the individual goals of the managers (Hughes, 1965, p. 14).

On the other hand, if MAS is to serve management to achieve better planning, decision-making and control, MAS needs to have a clear sense of direction. A set of unclear goals will undermine the role of MAS in enhancing managers' abilities to achieve some of their goals. The excellent companies focus on only a few key values and let 'everyone know what's important, so there is simply less need for daily instructions (i.e., daily short-term memory overload)' (Peters & Waterman, 1995, p. 65).

In the interviews each manager was asked what (s)he thought PB's corporate goals were. The managers gave 21 different corporate goals for PB according to their understanding of what PB was trying to achieve. One manager remarked:

'I do not find the Bank's goals clear to me. It might be because they are continuously changing' (interview 7).

Other managers (interviews 10, 13, 14) said that all businesses have the sole goal of achieving maximum profit and, consequently strive to pursue any avenue that leads to maximising profit.

'All banks have the same goals. I believe what the board and shareholders care about is how much profit the Bank is making' (interview 10).

Managers at PB had different impressions and interpretation of what attracts a customer or what type of clients PB targeted. Seventeen different factors were mentioned by 10 managers whose responsibilities were related to customers. The most frequent factor maintained by six managers out of 10 was personal relations

with clients [see more on cultural effects in Part V of this chapter], followed by five managers naming speed of service and four naming cost of products or services.

The chairman of PB in an article published in the *Jordan Times* newspaper (8 June 1999) wrote that:

'Companies' boards and managements, accordingly must be committed to the following:

-   Providing customers with high quality and value, fair prices and honest transactions.

-   Providing a superior return to our shareholders and protecting and improving the value of their investment through prudent utilisation of corporate resources.

-   A company's business transactions must be properly authorised and completely recorded in the company's book.

-   Being responsible corporate citizens.

-   Treating our employees' self-development through assistance in improving broadening work-related skills.

By looking at each of the above goals and comparing them to the responses of PB managers: seven out of the 15 interviewees (excluding the general manager) believed that top management's goals were to increase profits, which could be related to but is not the same as 'a superior return to shareholders' but maximising or increasing profit was not mentioned as a goal *per se* in any of PB's annual reports although it was identified by 3 interviewees (interview 10, 13, 14). Some researchers are not in favour of specifying profit as one of the goals of an organisation (Hughes, 1965, p. 21; Peters & Waterman, 1995, p. 284). 'Company profit is not a purpose or a goal - either for the company or for any individual in it, including the president. Profit is, however, an incentive and a means to reach goals and serve mutual needs' (Hughes, 1965, p. 21). The idea that profit is 'a natural by-product of doing things well, not an end in itself, is also almost universal' (Peters & Waterman, 1995, p. 284).

To increase market share, came second, as six managers believed that was one of top management's goals [Exhibit 4.16, A Comparison of PB Interviewees' Answers with Corporate Goals as in the Annual Reports (1994-1998)]. Mabberley believes that 'the fundamental objective of any organisation is to maximise its value to shareholders. Yet, according to a survey in the USA, the great majority of banks lack the tools to achieve this objective' (Mabberley, 1992, p.101). Still further, according to the

Rational Goal Model, the goals of an organisation 'may be derived from conceptualisations of social missions or functions' (Cunningham, 1977, p. 465). Peters & Waterman (1995, p. 284) add that, among the few common attributes that excellent companies share, are values that are almost always stated in qualitative, rather than in quantitative terms and when financial objectives are mentioned, they are almost always ambitious but never precise.

Exhibit 4.16
A Comparison of PB Interviewees' Answers about Corporate Goals as in Annual Reports (1994-1998)

	Corporate Goals	Frequency
1	Increase capital	2/15
2	Increase market share in deposits	6/15
3	Increase low cost sources of funds	0
4	Disinvest low yield investments	0
5	Collect old debts	4/15
6	Develop employee's skills through training courses and IT technology to achieve distinguished performance to serve clients	3/15
7	Develop banking products and provide new services and products to meet the needs and preferences of clients	3/15

As for introducing new services and developing current ones, whilst this was prominent in top management's public declarations, only 3 managers out of 15 said that it was one of PB's goals.

One other prominent goal had to do with employees, as mentioned in the annual reports, though not as far reaching as in the chairman's article when he talked about 'self-development of employees through improving and broadening work- related skills'. PB's goals fell short of that and talked about technical skills to improve customer service.

The interviewees' opinions on this issue were as follows: five managers said that the goals of PB included goals related to employees. However, two of the five interviewees talked about improving working conditions such as providing job security and the other three talked about developing employees.

The answers of the interviewees showed a lack of agreement on what goals were to be achieved by PB. This can have a negative effects on OE as 'a company where individual managers act according to their own preferences rather than a widely-accepted corporate pattern may suffer both from missing important opportunities and from failing to develop selected opportunities in an orchestrated powerful manner' (Gordon & Di Tomaso, 1992 p.795).

4.15.3   Departmental Goals at PB

When discussing departmental goals coordination, the alignment of respective departmental goals to serve corporate goals both in the short and long-term has to be reflected in goals which individual managers set for their departments. Nevertheless, 'mere awareness of corporate goals, however, is not enough to change many people's behavior. Somehow the organization's high-level strategic objectives and measures must be translated into objectives and measures for operating united individuals' (Kaplan & Norton, 1996, p. 80).

Department managers had their own interpretation and 'vision' of the future of PB as was found in the interviews and expressed by one of the managers:

'I have set (departmental) goals myself with my vision of the future of the Bank'
(interview 7).

A conflict in interpretations and insufficient interaction between corporate and individual goals can leave each manager drowned in pursuing daily tasks without a clear vision as to whether it was towards the desired end of achieving corporate goals.

Departmental goals were not always clear in the minds of the interviewees. Corporate goals need to be divided into sub-goals and sub-sub-goals for each department and branch to achieve in its own capacity and contribute to the ultimate achievement of corporate goals.

Goal incongruence as a source of strategic misalignment coupled with asymmetry of information were reflected in the insufficient dissemination of information on corporate goals within the organisation and the strategies adopted to achieve them [see more in Section 4.9.1, A Description of the Extent of Diffusion of Information, and Part IV of this chapter, Emphasis on Control Function as Compared to Planning]. It was also reflected in a lack of adequate co-ordination among the different head office departments. 'Dissemination of information...can occur either vertically between hierarchical levels of the organization or horizontally among different sites in the firm' (Slagmulder, 1997, p. 116).

The majority of the interviewees' opinions on what departmental goals were can be expressed by the quotation:

'I have been working with (the general manager) for many years, I understand what
he wants' (interview 7).

Similarly, managers expressed the view that, since the department's work was so clear, they did not need any goals to explain what was it they had to do. Two of the

head office managers felt that, so long as they had a job description, they did not need to set goals for their departments.

For branch managers, their goals were the same ones included in the branch budget. These goals, which were financial in nature, were better co-ordinated with corporate goals compared to goals of other departments at PB.

Staff departments need to have goals just like 'mainstream groups', and their goals must be something more than simply "supporting the line organization" (Hughes, 1965, p. 63). Staff or 'profit-enhancing' departments need to set their goals within their own vision of their role in enhancing the performance of other departments and branches, and in co-ordination with profit-generating departments. Specialist staff in departments have the duty to push the business goals of the organisation outward and forward and not only confine their roles within what have been set by 'mainstream departments'.

4.15.4   Characteristics of Departmental and Branches' Goals at PB

4.15.4.1   Unclear and Non-Quantified Departmental Goals at PB

Managers at PB did not have to sit and articulate their goals and 'have them down in writing'. Some of the departmental goals that were given by the interviewed managers were fuzzy in nature such as, 'develop my staff' or 'increase my market share', or 'implement some of PB's strategies', or 'improve the performance of my department'. Whatever the nature of the departmental goals expressed in the interviews, they were not tied to concrete plans and subsequently monitored and controlled. Such goals stayed as 'wishful thinking' as they were neither operationlised nor measured.

To plan for their departments, managers would find it helpful to spell out their goals in clear terms, agree on them with top management and staff, and then place a value on them. Departmental managers then should communicate the agreed goals to their staff and ensure that all staff in each department understand them and understand their importance to them personally, to the department, and to PB as a whole. To ensure proper implementation, this should be followed by measuring the contribution that members of staff have made to their achievement (Hughes, 1965, p. 81). As expressed in interview 2 the departmental goal was:

'I have been working with the general manager for a number of years before joining Phoenix Bank. I understand what he wants and what is expected of me' (interview 7).

205

'to achieve the administrative and organisational goal of the Bank' (interview 11).
The need 'to achieve a goal of PB' came up in the answers of the managers as in interviews 2 and 7 above. This necessarily requires that departments should align their goals with those of top management of PB. Departmental goals also need to be operationlised and measured, to ensure that they can be evaluated and controlled.

Such positions need to be balanced with the fact that the general manager might set different goals for different periods and might change his strategies accordingly. This same idea was recognised on a different occasion by the same manager in interview 7 above who said that *'the policy had to be changed many times during the past year'*. Long years of working together might make co-ordination within goal-setting process quicker and easier but does not replace the need for a satisfactory goal-setting process.

4.15.4.2   Departmental Goals were not Discussed by Top Management at PB

'The assets & liabilities Committee does not discuss targets or goals of departments. The board does not interfere either, and nor does the general manager' (interview 13).
The absence of a unified understanding of the corporate goals and of the interpretation and effect of information on each manager's work and on PB as a whole was what the manager in the following quotation from interview 12 and others referred to as 'conflict of goals'. It resulted from the absence of alignment of corporate and departmental goals given the varied perspectives mentioned by Pennings & Goodman (1981, p. 152) where vertical constituencies (such as employees, management, owners...) have different and possibly competing expectations:

'Difference(s) in perspective can and do cause conflict as each of us sees the matter from his own perspective' (interview 12).
A unified understanding of the goals can be reached when 'managers communicate their strategy up and down the organization and link it to departmental and individual objectives' (Kaplan & Norton, 1996, p.76).

4.15.4.3   Unclear Focal Roles of Departmental Managers at PB

The clarity of departmental goals and their alignment with corporate goals is also reflected in the focal roles of the departments and branches of PB, or for that matter, in all organisations. Focal roles of the various departments and branches are dictated by the pursuit of departmental goals subservient to corporate goals. A manager,

however, would have the freedom to pursue the achievement of goals and choose his focal roles at his own discretion through a goal-oriented management style.

In the interviews, three managers said that their focal roles continuously changed by either new priorities dictated by the general manager or under the influence of the needs of other departments.

'I find myself providing other departments with ad hoc service more than planning new services that I feel should be one of my priorities and core activities' (interview 8).
This situation left the managers with the feeling that they have neglected the core activities of their departments.

'I cannot say that I am satisfied with the current situation. I spend almost 40 % of my time doing things that I do not consider as part of my core activities" (interview 7).

'Many times my role is decided by others. As I see it I was appointed to this position to organise matters at the Bank and I do it to the best of my ability' (interview 11).
The difficulties of not having clear operationlised business and functional goals aligned with corporate goals in order to measure the OE of PB can be seen in the following:

(1)   Departments responsible for the collection and transfer of information through MAS (such as the financial department at PB) would not be collecting information relevant to corporate goals, as managers were not directly engaged in trying to achieve specific, measurable, goals within a set-time frame. This fact by itself does not enhance the achievement of corporate goals.

(2)   A control and performance evaluation difficulty arises, such as how can a department's performance be evaluated if the goals themselves were not clear and quantified?

Part of MAS's role, with their domain, is one of helping managers at all levels to ensure that plans are implemented and targets and goals are achieved, otherwise it would not be possible to serve managers in relation to the end of enhancing OE.

Information collected and transferred by MAS and analysed would either not correspond to the set goals or, alternatively, MAS would provide and collect information on achieving a goal that was not sufficiently specified and which meant different things to different managers.

MAS in this situation reflected the state at PB of lack of specific measurements and timed goals [Exhibit 4.17, Problems Relating to Corporate and Departmental Goals Affecting OE].

4.15.5 The Goal-Setting Process at PB

Different opinions were given by head office managers on the goal-setting process and on who should set goals and how branch budgets should be decided up on.

The goal-setting process will be discussed in as far as it has an impact on the ability of MAS to provide managers with their information needs for purposes of planning, decision-making and control. Some managers believed that goals should be set from 'bottom - up'.

'Branch managers are the best qualified to decide on the future growth rate of their branches because they are there in the field and have continuous contact with clients' (interview 15).

Others, who believed in 'top-down goals', thought that branch managers could only come up with 'wishful thinking' goals or, at the other extreme, easily achievable goals, and head office should therefore decide for them. Most of the head office departmental managers did not have set goals for their departments.

The goal-setting process used for setting goals in branch budgets was expressed by a senior manager as:

'We listen to their needs but take the final decision on the goals of the branch budgets' (interview 13).

Another manager at the head office remarked *'I must make it clear that we do not impose goals or targets* (referring to branch managers when preparing their annual budgets)' (interview 8).

For the role of MAS to promote behavioural congruence in beliefs and behaviour of top managers, departmental managers, and branch managers it needs to be recognised (Hughes, 1965, p. 80; Emmanuel et al., 1990, p. 213; Hiromoto, 1991, p. 4) 'that planning is an iterative process involving both top-down and bottom-up communication to bring together the top management's knowledge on broad issues with divisional managers' knowledge on the specific environmental and product market uncertainties' (Emmanuel et al., 1990, p. 213) [see discussion in Section 3.15.2.2, Role of MAS in Affecting Employees' Behaviour].

However, all three branch managers interviewed talked about a strong influence from the general manager on the setting of their goals.

Exhibit 4.17
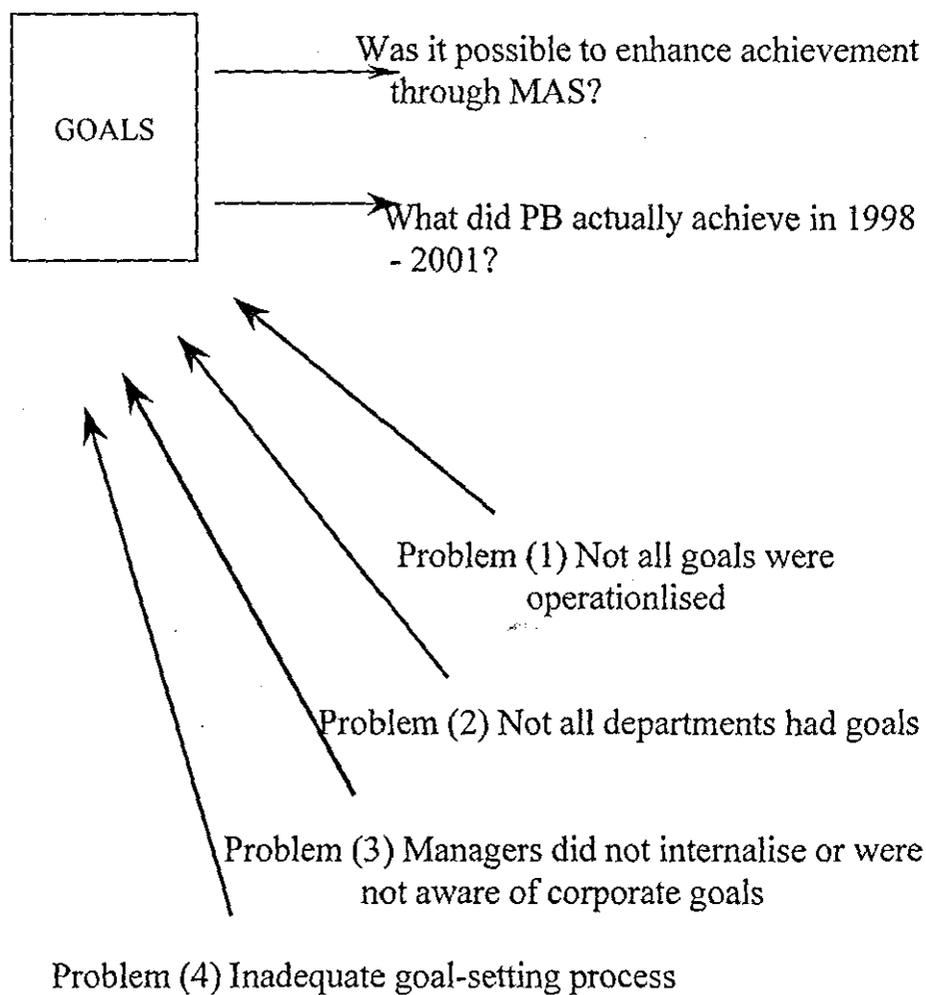
Problems Relating to Corporate and Departmental Goals Affecting OE

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┌──────────┐
│          │ ──────────►  Was it possible to enhance achievement
│          │              through MAS?
│  GOALS   │
│          │ ──────────►  What did PB actually achieve in 1998
│          │              - 2001?
└──────────┘
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Problem (1) Not all goals were operationlised

Problem (2) Not all departments had goals

Problem (3) Managers did not internalise or were not aware of corporate goals

Problem (4) Inadequate goal-setting process

'When the general manager's projected goals do not coincide with what branch managers set in their budgets then they will have to convince him of their reasons or else they will have to follow his projected goals' (interview 15).

The goal-setting process adopted at PB was described by some managers as having a negative influence since the setting of difficult goals by top management made them feel under pressure.

I feel that targets set by the general manager are difficult to achieve on my own. I expect head office to help me in achieving these targets'
(interview 9).

The process of setting departmental goals in the annual budgets and plans was also viewed by managers as being unsatisfactory. When those managers were asked what they thought the weak and strong points of their budget were, out of 7 managers (who prepare annual budgets) 5 managers said the weak point of budgets was the way goals they were expected to achieve were set [more in Part IV of this chapter, Emphasis on Control Function as Compared to Planning; and Section 4.17, Conflict of Interest in Setting Goals and the Game of Budget Control].

The importance of goal-setting was expressed by many researchers (Hughes, 1965, p. 133; Palmer, 1992, p. 195; Jaggi & Mensah, 1995, p. 15) as 'not even overwhelming ability will produce effective performance without adequate goal setting and motivation' (Hughes, 1965, p. 133). Gross (1965, p. 214) emphasised that the selection of strategic objectives is the essence of planning and no 'comprehensive projections of budgets, income statements, or balance sheets can define an organization's major goals'.

4.15.5.1   Short- and Long-Range Planning at PB

Long-range plans at PB mentioned by the interviewees were a 3-year plan for deposits, credit and profits. As mentioned earlier [Section 4.14, Introduction], not all departmental managers were involved in long-range planning. This was also noted by Pond (2000, p. 10) in discussing British banks when he noted that it is 'a common dilemma as short-term profits are often prioritised ahead of long-term gains'.

Short-range planning was done through annual budgets prepared by each branch, and a general budget prepared by the financial department that covered all PB's revenues and expenses.

For those managers who had a budget, the aspects that were budgeted for were all financial apart from an annual plan for training needs of employees. Branch budgets dealt with three areas: deposits, credit and profit. The isolated case of the two

departments' budgets, the Treasury and the IT Department, either covered forecasted revenues only or forecasted costs only. If branches achieved their targets in the budget during the year top management would adjust the budgets to increase the target that were initially set at the beginning of the year. As for the annual general budget for PB, no adjustments during the year would be introduced.

Management of PB used branch budgets for three purposes:

First, for short-term planning and this has been discussed above and in Part II of this chapter in respect of information needs.

Second, for control as discussed in Part IV, Emphasis on Control Function as Compared to Planning at PB- a Short-Range Orientation.

Third, performance evaluation of branch managers as discussed in Section 4.18, Role of MAS in Performance Evaluation at PB.

4.15.5.2 Problems Relating to Lack of Information for Planning and Setting Goals at PB

One difficulty that was mentioned by three managers was that the budgets or plans were not updated and became irrelevant once changes in the external environment occurred, or when their plans were tied to the achievement of targets in other department which, once unrealised, meant that their own plans became irrelevant.

A further weak point mentioned about the goal-setting process was the way in which future projections were decided up on.

'The budget starts with previous year actual figures plus a minimum level of growth, which would be decided by the general manager. Based on this I will prepare my budget' (interview 9).

Regardless of the philosophy adopted by PB, whether top management should set corporate goals then other levels of managers should set their own goals within what achieves both top management and individual managers goals i.e. an integrated type of 'top-down planning', or whether managers should set their goals independent of top management then, corporate goals would be the summation of individual goals i.e. 'bottom-up planning', PB managers felt that they did not have the information they needed information on the economy and competition on which to base their 'outward and forward' plans.

'I do not have a clear idea on how to set targets as it depends on the economic situation in the country...I do not receive any feedback information on the economic situation...nor am I informed of the general manager's expectations and projections

for the Bank as whole. They [referring to top management] can judge matters better by virtue of their positions' (interview 6).

In the absence of this, the outcome was that: *'the goals stated in the letter [from the general manager to branch managers informing them of their budgets for a coming year] could be close to the ones I suggested or totally different ones' (interview 9).*

As for the consequences of lack of information those are discussed at length in Part II of this chapter Availability and Diffusion of Information at PB.

4.15.6 The Role of MAS in Planning Product Innovation and Customer Satisfaction

Another issue related to short- and long-range planning is product innovation and meeting clients' needs. It was expressed in the corporate goals and in the chairman's and the general manager's statement as:

'We want our clients to be proud to work with us'.

The corporate goals stated in the annual report relating to product innovation and customer satisfaction were not operationlised and measures were not made available. Nor were corporate goals on this issue clear in the minds of the managers.

When managers were asked how did they know that PB's clients were satisfied with the types of services and the way the services were offered, the responses ranged from an extreme *'you can never please clients' (interview 13),* to another extreme of not having any information on the matter. The quotation from interview 13 above agrees with what Peters & Waterman 1991, p. 156) wrote: ' despite all lip service given to market orientation these days...the customer is either ignored or considered a bloody nuisance'. Along the continuum five managers out of 10 (excluding the general manager) - who all had direct contact with PB's clients, said they would know about customer dissatisfaction through the clients' complaints in terms of number and source of complaints. Three managers said that they knew that their clients are satisfied with dealing with PB because they still keep their accounts.

'A good measure of customer satisfaction is that I am able to keep my clients given the tough competition' (interview 6).

This statement in fact describes the 'where are we now?' stage but does not provide plans for future growth in the number of clients and in a more preferred type of clients as often mentioned in the interviews.

Customer retention is a good indicator but what PB's future short- and long-range plans indicated was growth, which means attracting new customers as well as retaining the existing ones.

'The Bank does not have a strategy for measuring customer satisfaction. Previously there were suggestion boxes in branches but not any more. There used to be debates whether the branch managers should keep the keys or not' (interview 15).

One difficulty that faced managers of PB was the fact that it was not clear to them which clients they should target and monitor to start with, then comes the challenge of launching new products, and creating more value for their clients.

'Once I am able to identify my clients it becomes easier to understand their needs and to provide them with the type of services they need' (interview 9).

The two factors of customer retention and customer complaints in measuring customer satisfaction have to be complemented by others. Apart from the general manager, out of 10 managers who have direct responsibilities for dealing with clients, the managers gave six different types of clients they thought PB was targeting. Six out of 10 managers gave similar opinions on the type of clients whereas the other 4 managers mentioned other types of clients.

The managers interviewed discussed the issue in general but only two managers (interview 6 & 7) specified that they were referring to a credit client. However, what attracts a corporate client is different from a small depositor or a client looking to finance the purchase of a car.

There are important reasons which make identifying types of clients an important issue. The first is that 'some form of customer profitability analysis is important to all financial institutions, although the level of detail applied will vary depending on its type' (Mabberley, 1992, p. 13). The second, identifying types of clients, is helpful in any future plans for attracting new customers and looking into the needs of each category by identifying the customer potential for the purchase of the service (Hughes, 1965, p. 66). Peters & Waterman (1995, p. 186) observe that 'the excellent companies tend to be more driven by close-to-the-customer attributes than by either technology or cost'. A further aspect to be considered in identifying types of clients is in providing 'a detailed analysis of the firm's products and the offerings of its competitors' (Bromwich, 1990, p. 30). So, in this respect 'all financial institutions must be innovative to some extent' (Mabberley, 1992, p. 109). This type of information was not available at PB.

In the American market Peters & Waterman (1995, p. 191) and Leander (1996, p. 40) note that the banking industry started to align organisation structure around market segments in a shift to an industry-style orientation, and American commercial banks 'see the process as inevitable, driven in part by client demand and in part by the desire to differentiate themselves from competitors' (Leander, 1992, p. 40). The organisation policy which leading world banks adopted before this recent change took place (as described by Leander 1992, p. 40) since the beginning of the 1900's was similar to the one used by PB in planning its marketing efforts along geographical lines.

PB did not follow an industry style orientation. In fact, a number of managers said that they targeted all types and categories of clients. One reason given was the small size of the market, which they said was not sufficient to sustain industry specialisation.

Differentiation of types of clients requires laying down plans and goals to meet customer's needs and preferences in terms of types of services, pricing, and standard of offering the services. On this issue of setting goals to meet the needs and preferences of clients, PB interviewees did not show clear goals. Their opinions seemed to be based on personal impressions and interpretations. One manager said that (s)he did not seek this kind of information. To describe this better, in interview 11 the manager said:

'I wish I had more information on customers' satisfaction' although, on the other hand,(s)he saw studying new services as *'the most important part of...(his/her) job'.*

Lack of information on customer satisfaction found in all interviews took the managers by surprise. When asked, managers stopped for a moment to think and a number of them said that someone at PB must have been doing this. Nor did PB not also have a set strategy for marketing:

'as a Bank we do not have a set strategy of means and methods for marketing our services' (interview 15).

Naturally as a result of that, MAS adopted by PB did not play a role in enhancing OE by giving managers the support they needed to achieve the corporate goal of 'developing banking products and provide new services and products to meet the needs and preferences of clients' mentioned in the annual reports from 1994-1999.

4.15.7 The Role of MAS in Providing Non-Financial Information for Planners at PB

'There is a strong emphasis on financial goals in the annual budget. The budget usually does not contain non-accounting measurements' (interview 1).

Non-financial information on changes in the economy or in the political scene is needed for planning as much as financial information (Seashore, 1965, p. 50; Patton, 1984, p. 279; Peters & Waterman, 1995, p. 281; Hiromoto, 1991, p. 4; Kaplan & Norton, 1996, p. 75). The need for non-financial information was appreciated by PB managers:

'I have found that knowing problem areas coupled with visits to branches and face-to-face meetings with their employees provide me with more information for planning and decision making than I thought of to begin with' (interview 8).

Rangone (1997, p. 216) offers an explanation for this situation of appreciating the importance of non-financial factors but not seeking to identify and measure them, as qualitative terms 'are characterized by inherent ambiguity and imprecision. For this reason, intangible factors are often disregarded by accountants, even though they are implicitly evaluated by managers in their strategic thinking'.

Thirteen out of 15 managers (excluding the general manager) said that incoming reports contained financial information and only 4 managers said that the MAS reports they received contained non-financial information as well.

'I find non-financial information difficult to get. I cannot say that I am satisfied with non-financial information reporting and I believe this situation applies to all banks. The reason might be that non-financial reporting is done manually. I think data that is handled by employees become bulky and difficult to get and to process' (interview 11).

Non-financial types of information mentioned by the managers as being helpful if available included: credit worthiness of a client, how a client manages his/her business, information on customers' needs and customer satisfaction, and information on the external environment

It is relevant here to go back at this point and highlight what was discussed on the partiality of MAS (Section 4.11.1.2, Corporate Culture at PB; and Section 4.11.1.6, Psychology of Users at PB). The MAS adopted at PB was designed by financial accountants which agrees with the quotation mentioned earlier by Rangone (1997, p. 216) that 'intangible factors are often disregarded by accountants' but evaluated by managers when it comes to strategic planning. Some PB managers explicitly mentioned their need for non-financial information for planning purposes, but the design of MAS did not meet their needs.

March (1987, p. 160) comments on the value and quality of information collected in organisations by saying 'most information in organizations is collected and recorded not primarily to aid decision making directly but as a basis for interpretation that

allows coherent histories to be told'. He also comments on the obscurity of a link between information and its uses and doubts the possibility of proving such a link, as 'future decision options in most probability are sufficiently obscure as to make the possible benefits from different information strategies almost indistinguishable' (March, 1987, p. 157).

It is difficult to state to what degree these two reasons contributed to the insufficiency of information for problem-solving and decision-making at PB. But what can be said is that there were specific types of information that were not available and managers did not actively seek them.

Part IV   EMPHASIS ON CONTROL FUNCTION AS COMPARED TO PLANNING AT PB: A SHORT-RANGE ORIENTATION

After discussing the role of MAS in enhancing planning and decision-making, Part IV discusses the role of MAS in enhancing control and implementation of plans. Control as a term has wide connotations, what is more pertinent in the context of MA among the wide meanings of the word are: control as domination i.e. a person who has power over others. Secondly, control systems are used to change the performance of individuals and the outcome of organisational processes (Markus & Pfeffer, 1983. p. 206). Thirdly, feed-forward control as planning and alignment of managerial activities (Emmanuel, et al., 1990, p. 14).

Emmanuel, et al., (1990, p. 14) refer to planning and control as conventional terms to feedback and feedforward control, were planning is seen as the process of setting goals and the means of their attainment, and control as the process of ensuring that plans are achieved'. MAS at PB was more geared to feedback control than to the other functions, as will be explained following.

Organisational control relies considerably upon MAS (Emmanuel et al., 1990, p. 7; Otley, 1995, p.46). However, it is difficult to isolate the effects of MAS at PB from other controls as 'they act as a package and must be assessed jointly' (Otley, 1980, p. 422).

The discussion of the role of MAS in control at PB is divided into:

(1) Forms and areas of control.

(2) The game of the budget and conflict of interest.

(3) Performance measurements and evaluation of individuals and units.

4.16   Forms and Areas of Control at PB

Control was exercised mainly through budgets and MAS reports. Deviations from budgets were monitored through budgetary control to ensure the achievement of annual goals set for branches and some head office departments.

MAS reports were seen as being the most important organisational control used (mentioned by 11 out of 15 managers, excluding the general manager). Other controls mentioned in descending order were: formalisation of procedures (mentioned by 4 managers), field visits (mentioned by 3 managers), and standardisation of procedures (mentioned by 2 managers).

Although MAS reports were mainly used for control purposes [as explained below], apart from branches not all head office departments had budgets or plans, nor did all head office departments receive MAS reports informing them on their performance for control purposes.

'We do not receive control reports on the department's performance from any of the Bank's departments' (interview 4).

Feedback control was the main purpose of MAS reports as expressed by 11 interviewees out of the 15 (excluding the general manager). However, 13 interviewees said that MAS reports served a double purpose and provided them with feedback information that was not for operational purposes.

This emphasis on the control function links with the characteristics of MAS reports the interviewees said that they would have liked to see in the reports they received. Ten managers out of 15 said it was speed that they needed, and that time was of the essence for reports to reach them in the shortest time possible.

Seven of them ranked speed as the number one characteristic they would like to find in MAS reports. Ten managers also chose accuracy, 4 of them ranked it as number one and six as characteristic number two. Both speed and accuracy are requisites of feedback control. The two characteristics are useful to get accurate information on what has been achieved and in a short period of time so that corrective action could be taken.

This applies particularly in a banking context where managers have to be kept informed of the indebtedness position of clients exceeding a certain limit and how accounts are progressing. Or where clients make deposits in currencies other than the Jordan dinar where the exchange rates and currencies positions have to be monitored continuously.

One objection to the use of such negative feedback control is that errors are allowed to occur with lags between the occurrence of an error and the implementation of corrective action. Such time lags are an important factor in the control of human organizations and, in such cases there is a need for anticipatory or feed-forward control (Emmanuel, et al., 1990, p. 13). This in turn makes feed-forward control equally, if not more, important than feedback control (Emmanuel, et al., 1990, p. 14). The frequency of reports once again stresses the feedforward control nature of MAS reports. Those reports that were mainly targeted on branches were monthly reports while, within branches or departments, daily feedforward control was provided in the case of 10 of the 15 interviewees (excluding the general manager).

Control was exercised over branches mainly through budgetary control and through visits by managers of head office departments.

'Internal reports that I receive indicate problem areas in addition to a number of issues which help me in evaluating branches' performance' (interview 8).

However, this did not apply to head office departments which did not have budgets as branches did:

'I do not receive reports informing me to what extent my department achieved its targets' (interview 7).

In this respect it is relevant to note that managers need feedback to enhance performance rather than information on the overall performance of an organisation (Hughes, 1965, p. 49).

Waterhouse & Tiessen (1978, p. 71) note that, in some types of organisations where meaningful output measures may be impossible to develop, effective control over sub-unit activities and the utilisation of resources will rely heavily upon the selection and socialisation of organisation members. This applies to banks that provide clients with services that are not easy to control or measure, and where departmental managers and branches have authority to act. In situations where knowledge of the transformation process of inputs into outputs is imperfect and the ability to measure output is low, Ouchi 'advocates that control through clans or corporate cultures is the most appropriate mode' (Ouchi as quoted by Drury, 1996, p. 653). On this Peters & Waterman (1995, p. 81) remark that the excellent company seems to understand important yet paradoxical needs that more discretion leads to greater commitment. One of the two departmental managers who prepared budgets (or, as one of the interviewees termed it 'plan') said, when I asked whether (s)he received any control

reports concerning the annual plan he sent to the general manager, that the need did not arise yet:

'I never found myself in a situation where...actual (revenue) was less than...targets in the annual plan' (interview 14).

[See more discussion in Section 4.17, Conflict of Interest in Setting Goals and the Game of the Budget Control at PB].

On the other hand, the plan mentioned in interview 14, did not include any mention of projected expenses nor did branches' budgets for that matter. The manager in interview 14 explained that there was no need to budget expenses, since the policy of PB was that an expense would not be paid unless it was properly authorised.

This raises the question of the overall evaluation of the department's plan. It contradicts with what researchers believe i.e. that control should cover all activities of an organisation. The absence of a match between revenue earned and costs incurred to achieve that revenue, splitting the process and looking at each phase separately, weakens the link between the activity and the cost, and renders control less effective.

Such a match between the revenue and cost of an activity, as in cases similar to the one mentioned in interview 14, will again help in evaluating the productivity and expended effort of a department to realise a certain income. In the banking industry 'which has experienced pressures to manage costs more effectively...Costs should be planned for and managed before they are incurred, rather than simply monitored and controlled after the event' (Mabberley, 1992, p. 1).

The findings can be summarised as:

Exhibit 4.18
Summary of the Findings on the Role of MAS in Control at PB
Managers interviewed criticised:

1.   The unclear financial and non-financial goals for departments and branches.

2.   Measurements and/or standards for measuring goals achievement.

3.   Organisational structure's role in the flow of information.

4.   The provision of information for feedforward and feedback control.

4.16.1   Budgetary Control in Branches at PB

Budgetary control was exercised over branches only and covered three areas: deposits, credit, and profit.

'A branch budget will include forecasts for growth of deposits and credit facilities but not the branch's needs in the form of furniture, new employees or maintenance work...Some of the branches would not take the initiative and ask for maintenance work or renovations' (interview 11).

Head office managers who were involved in budgetary control believed that it was instrumental in improving results and achieving corporate goals.

'I believe that budgetary control is particularly helpful in revealing problem areas in branches and problems in the budget preparation process itself...budgets and budgetary control helped improve branches' performance a great deal' (interview 8).

However, Abernethy & Brownell (1999) urge caution when using budgetary control as a diagnostic device -particularly in organisations under change, but emphasise their interactive use 'with its focus on dialogue, communication and learning, between top management and subordinates as well as managers at the same level' to encourage information flows (Abernethy & Brownell, 1999, p. 192).

The areas that management showed a keen interest in exercising control over were all of a financial nature relating to the financial performance control of branches/departments. Branches, the main revenue generating units or 'mainstream department', received monthly performance evaluation and a variance report showing positive and negative deviations from the budget. It is worth mentioning here that the monthly variance reports along with any comments were sent to branches carrying the general manager's signature although they were prepared by the R&D department in collaboration with an assistant general manager. One explanation could be that R&D was not in the direct chain of command with branch managers, hence needed the stronger authority of the general manager, and/or it was a manifestation of internal politics.

In addition to the monthly reports, control was exercised via quarterly reports and a meeting of branch managers with the general manager and some of the head office managers. The aim of the quarterly meetings was to discuss achieved results as compared to the respective branches' budgets.

Branches and head office managers interviewed however, did not agree on the significance of the variance reports that were prepared for branches. This is of particular importance in organisations undergoing change where organisational members need to know why budget variances occur, and how the system and

behaviour can be adopted (Abernethy & Brownell, 1999, p. 191). The interviewees' opinions ranged from:

'I do not believe that all deviations are bad' (interview 8)
to
'I would not be happy if a branch was achieving higher profits but going against instructions (regarding deposits or credit regulations). I believe that the moment branches act in contravention to instructions it would be the beginning of the collapse of an organisation' (interview 13).

Researchers find tolerance for failure and support for 'deviant behaviour as long as it is compatible with company goals' (Hughes, 1965, p. 57). Tolerance for certain deviations protects organisations from worse long-run performance and various harmful side effects (Emmanuel, et al., 1990, p. 164). Peters & Waterman (1993, p. 223) believe that successful organisations are those which 'make lots of tries and consequently suffer failures or the organization won't learn'.

The apparent emphasis on control that was found affected the type of MAS reports used and the type of information collected - mostly internally. This was coupled with control using financial performance measures to the exclusion of others as was apparent from the areas covered in the budgets (namely deposits, credit facilities, and profits).

Management was not unaware of the importance and relevance of other non-financial measures as was clear from the corporate goals and vision of the general manager and chairman of the board of PB. However, non-financial measures were noticeably unsatisfactory in the MAS used at PB.

4.17   Conflict of Interest in Setting Goals and the Game of Budget Control

The branch budgets were used first and foremost by the branch managers for feedback control and evaluation of their performance rather than to provide information for reassessment. This put branch managers under pressure to achieve their targets, and a conflict of interest arose between branch managers and head office (March, 1987, p. 154; Drury et al., 1993, p. iii). Branch managers, for example, would not ask for maintenance or renovations, as this will affect the profits of the branch, profits being one of the measures used in evaluating them.

Managers' performance for that period and any subsequent promotions or demotions was decided by the ability of the branch manager to achieve the budget goals in all of the three areas of deposits, credit facilities, and profit. This constitutes a classic case of sacrificing the long-term interests of the organisation for the sake of the short-term

interests of a manager, or a common dilemma 'as short-term profits are often prioritised ahead of long-term gains' (Pond, 2000, p. 10).

'Branch managers are under pressure to achieve their targets which might lead to making credit facilities available to clients prior to finalising the necessary contracts" (interview 12).

This could very well lead to 'a tendency to make the information consistent with the transmitter's perception of what the recipient wants to hear' if the recipient is a superior (Ference, 1970, p. B-85), and the creation of budgetary slack (Waterhouse & Tiessen, 1978, p. 72). This reflection of the phenomenon of conflict of interest arises when using budgets for performance evaluation rather than feedback or forecasting (Hofstede, 1969, p.15).

The budgets produced by branch managers meeting short-term targets consist almost entirely of financial measures that did not bear strong relation to some of the corporate goals of PB. Kaplan & Norton (1996, p. 83) when discussing the balanced score card, believe that 'in an integrated planning and budgeting process, executives continue to budget for short-term financial performance, but they also introduce short-term targets for measures in the customer, internal business process, and learning and growth perspectives', thereby linking strategy that has been decided to actions in specific tangible short-term targets.

The short-term/long-term dilemma can also be found in the case of branch managers who are routinely transferred from one branch to another, and who might not stay in one branch for more than one year. In such cases the emphasis of both the branch manager and head office will be on short-term performance.

This conflict of interest between the two parties was also seen in the substantial effort management was expending to ensure that branches follow the regulations of credit facilities to protect the interests of PB.

The general manager formed a Credit Control Department a few months before the study took place. The aim of the Credit Control Department was to protect the interests of PB. Top management felt that PB's interest were threatened by the non-compliance of branch managers with PB directives under pressures of achieving targets either by the vested interest which branch managers have in improving short-term profits or targets by extending personal services under pressure of social cultural values [more in Part V of this chapter, The Effects of External and Internal Cultures on MAS at PB].

Managers' personal goals were incompatible with those of corporate goals so long as branch managers were evaluated by the achievement of their budgets. They would always resort to means to further their short-term interest of achieving the annul budget on account of the long-term interest of the branch and PB as a whole.

The parties to the game of budget control as described by Hofstede (1968) were, on one side, the branch managers who had an annual budget to achieve, and a few head office departmental managers and the general manager on the other side who evaluated the achievement of the budgets.

Some head office departments' managers believed that branch managers, due to their direct and continuous contact with clients, were in a better position to decide rates of growth and profit in their particular geographical areas.

'I believe that branch managers are the best qualified to decide on the future growth rate of their branches because they are in the field and have continuous contact with clients' (interview 15).

However, head office departments, the other party to the game of budget control, believed that:

'Branch managers tend to set easily-attainable targets for themselves or build in slack. They have information by virtue of their work that I do not know about or are not informed of' (interview 8).

In interview 14, the departmental manager described the process of preparing 'the annual plan' for PB by saying that each member of the staff in the department would set his/her targets for the coming year which would be revised by the head of the department as members of staff *'usually state a minimum estimate of the amount to be collected as I will use their estimates to evaluate their work' (interview 14).*

This situation might have been very well responsible for what was described as:

'60 % of branches achieved their targets by the end of September (referring to 1999)' (interview 8).

On the other hand, branch managers seemed to present budgets below the expectation of those of the general manager.

'When the general manager's projected goals do not coincide with what branch managers set in their budgets then they will have to convince him of their reasons or else they will have to follow his projected goals' (interview 15).

Emmanuel et al. (1990, p. 171) explain that:

> 'The psychological evidence therefore suggests that the best results will be obtained by setting the most difficult goals that will be accepted by managers and thus 'internalised' and accepted as their own personal objectives. However, it is important that managers successfully attain their targets sufficiently often to give positive reinforcement and to prevent them from falling into a cycle of failure'.

Furthermore, in addition to the need to take into consideration the ability of budgetees to attain targets in the budgets, the process should not be a critical function in performance evaluation.

Head office managers mentioned that 'beside using budgets for control purposes' they were used to evaluate branches and branch managers' performance. The conflict of interest here will work against providing head office with full feedback information as it might work against the evaluation of branch managers through the budget. Managers will be tempted to set the easiest achievable goals that are acceptable to top management.

In an empirical study by Hofstede (1968) it was found that a big percentage of large successful companies use budgets for feedback rather than control. The benefits that top management receives from accurate feedback on items budgeted were found to be of more value to management than a partial improvement in results by a stricter control as feedback plays a key role in facilitating learning. Brownell & Hirst (1986 as quoted by Lau & Tan, 1998, p. 166) argued that 'subordinates might find budgetary participation useful even when budget emphasis was low'. This supports the opinion that budgets can be beneficial to subordinates even when they are not used for exercising control.

What was found at PB was that budgets were first and foremost used to exercise control over branch managers to achieve targets set in their respective budgets. By this branch managers were pushed further into a negative form of the 'game of the budget'.

Emmanuel et al. (1990, p. 103), although conceding that budgets are an imperfect tool in uncertain and changing environments, unclear organisational hierarchies, not well specified responsibility centres, and large interdependence with other parts of the organisation, similar to what was observed at PB, note that, 'nevertheless it is still, despite its imperfections, an important tool of control as evidenced by its widespread use'. This coincided with the interviewees' explanation that budgets and budgetary control improved goal achievement.

The imposition of certain targets on branch managers in combination with the information the branch managers had on their geographical areas, which was not made fully available to head office, added to the conflict of interests. A branch manager commented in an interview that:

'I like to have two sets of goals: one for me and the other set for head office'
(interview 9).
Two of the 3 branch managers interviewed grumbled about the process through which future goals for deposits and facilities as well as profits were set. As commented by Hofstede (1968, p. 296), 'that mistrust and undue pressure will destroy the game spirit'.

4.18 The Role of MAS in Providing Information on Performance Evaluation at PB

When one talks about control, control not only involves monitoring and regulation, but also measurement of performance and motivation of employees and units (Lynne, 1995, pp. 237, 238). Branch budgets in addition to control were used to evaluate performance of branch managers as expressed in interviews 6, 8, 9, 13, 15.

Otley (1995, p. 56), while stressing the importance of performance evaluation in control, cautions against the use of strictly quantitative performance measures. For 'performance is multi faceted and cannot be reduced to simple quantitative measures...(or) on the...subjective methods dependant upon the judgement of a manager's superior' (stress added). The same idea was also expressed by Hofstede (1968, p. 296) who warns against using budgets solely for evaluation purposes. As branch managers mentioned, their evaluation was based on the achievement of financial results in their respective budgets covering credit facilities, deposits, and profits targets.

'Performance of the branches is evaluated according to achieving targets stated in the budget' (interview 6).
PB management also used a form for employees' annual performance evaluation to be filled-in by a superior for his staff. The form was criticised by the managers interviewed (interviews 3, 4, 6, 7, 9, 15) as being too subjective and dealing with vague attributes for which no measurements were offered by PB management. Other comments were:

'It is difficult to rank employees as excellent, very good or good' (interview 9).

'I find it extremely difficult to fill the employees' annual performance evaluation report. I do not believe the report can evaluate an employee justly' (interview 15).
[See also Part V of this chapter, The Effects of External and Internal Cultures on MAS at PB].

Nevertheless, branch managers clearly did not know how they were evaluated, by whom, and by what criteria. The criteria used to evaluate branch managers were not quite clear to them.

'I am not sure how the general manager uses the internal audit report but I think he uses it in evaluating us' (interview 9).

'As far as I know such reports (visits to branches) go to the R&D department to be used in the evaluation of branches' (interview 6).

Emmanuel et al. (1990, p. 271) note that superiors leave contract terms purposely implicit for a number of reasons: they may not be able to describe the bases of performance evaluation to avoid motivating managers in directions that turn out to be no longer appropriate, they may want to encourage managers to do their best and not to give up when they perceive a performance target as being impossible, or 'they want to reduce manager's propensities to engage in short-term manipulations of the performance measures'.

In the interviews head office managers were asked whether they were involved in evaluating branches (as units) or branch managers (as individuals). It was found that senior departmental managers who ought to be involved in the performance evaluation process were not.

Branches' budgets were mainly used by PB's management in evaluating branch managers' performance. PB management, through the MAS used at PB, did not encourage managers to budget realistically and unintentionally pushed them to dress-up their results. This impact on the feedback recipient's future work performance is also observed by Luckett & Eggleton (1991, p. 376) as they note that, the 'nature of the message and individual characteristics, appear important when investigating the behavioural consequences of feedback'.

Top management relied almost entirely on financial measures in budgets for the performance evaluation of branch managers, and neglected collecting and reporting additional relevant information for performance evaluation through MAS to head office managers [see discussion in Section 4.18.2, Non-Financial Employees' Performance Measurements Used at PB; and Section 4.18.2.1, Reliance on Financial Measures in MAS Information].

From the interviews it was noticed that two head office managers and the general manager were the only ones involved in performance evaluation, although there were

in addition to those other managers directly involved with branches in areas such as marketing, internal organisation, or collection of outstanding debts.

'I do not believe that the current method of evaluation reflects justly the performance of the branch' (interview 5).

Palmer (1992, p. 193) believes that, although performance measures are 'links between actions of members of the organization and the strategy of the organization', and are 'powerful tools to motivate, evaluate, and control employee behavior. Yet many organizations encourage behavior that is not consistent with organizational strategy by using performance measures that lack timelines, accuracy, or relevance to the fundamental goals and objectives of the organizational strategy'. Hiromoto (1991, p. 6) proposes performance to be 'judged over time without emphasis on individual time periods' as MA should help organisations to learn by stressing the progress of performance over time.

Measurements used for measuring goal achievement were viewed by both head office departments and branch managers as being unclear, unfair and incapable of reflecting actual performance for each department in view of long- and short-term goals of PB.

From the analysis and discussion above, any suggested measurement for performance evaluation needs to take into consideration three dimensions: (1) the nature of measurement as a number of questions were raised as to the nature of the measurement of goal achievement for support or profit enhancing departments such as the legal department, the human resources department or R & D, (2) the point of measurement as work of the various departments and branches of PB are a flow of activities - a chain of activities that tie to one another with one leading to another, consequently, there is a need when deciding on measurements for goal achievement for individual managers, to decide at what point a manager achieved a goal (3) the time phase of measurement whether to be used for the short-term or the long-term.

The difficulty surfaced more prominently for branches as the majority of head office departments (11 managers out of 15) did not receive any control report. [See more discussion on goal-setting for branches and head office departments in Section 4.15.3, Departmental Goals at PB; Section 4.15.4, Characteristics of Departmental Goals at PB; and Section 4.16, Forms and Areas of Control at PB].

Questions arise concerning the point of measurement dimension, previously mentioned, for the collection of a debt which is one of the corporate goals listed in

the annual reports [Exhibit 4.16, A Comparison of PB Interviewees' Answers with Corporate Goals as in Annual Reports (1994-1998)]: is it for, example, when a favourable verdict is pronounced or is it at the point were the verdict is implemented by obtaining an order for foreclosure? Alternatively is it the point where the client actually pays his obligation to PB in full or would it still be considered a goal achievement if a settlement is reached with PB forfeiting part of the debt?

Unclear and inadequate measurements that were insufficiently communicated in addition to the intrinsic difficulty of evaluating the performance of managers worked against enhancing the short- and long-term OE of PB [Exhibit 4.19, Structural Problems Affecting MAS Design and Operation and Goal Achievement at PB]. It led in some situations to an atmosphere of intense rivalry with managers trying to conceal information from one another so they can take credit for achieving goals.

Cross-functional measures reflect the interdependent nature of the different departments and the strategic performance of PB as top management 'needs information that provides an overview of the organisational situation and address the unstructured problems and decisions that will shape tomorrow's performance reports' (Palmer, 1992, p. 194).

To overcome a similar situation and secure the co-operation of certain other departments, one of the managers informed his fellow managers -whose work was related to his- that they 'can take all the credit' (interview 3) in return for keeping him informed of all information that was of critical importance to him in doing his work. A similar observation was made by Kaplan & Norton (1992, p. 71) who noted that senior executives need to understand how a measurement system affects the behaviour of managers and employees.

When the managers participating in the study were asked whether they thought that employee satisfaction was sufficiently monitored and measured at PB, out of 14 answers 10 managers believed it was not measured properly.

4.18.1   The Role of MAS in Evaluating Departments/Branches as Units at PB

On the question of whether departments/branches were evaluated as units apart from evaluating managers (individuals), 5 managers out of the 12 who answered the question reiterated what they said about their own evaluation as managers while 7 managers dealt with the question directly and said that their departments were not evaluated as units.

Exhibit 4.19

Structural Problems Affecting
Design and Operation of MAS and Goals Achievement

Goals to be achieved

(P1) Continuously changing organisational structure and departmental responsibilities

(P2) Unclear and inadequate channels of communication

(P3) Centralisation of information

(P4) Ineffective use of IT

(P5) Inadequate measurements for performance evaluation and goal achievement

(P6) Neglect of feedforward control
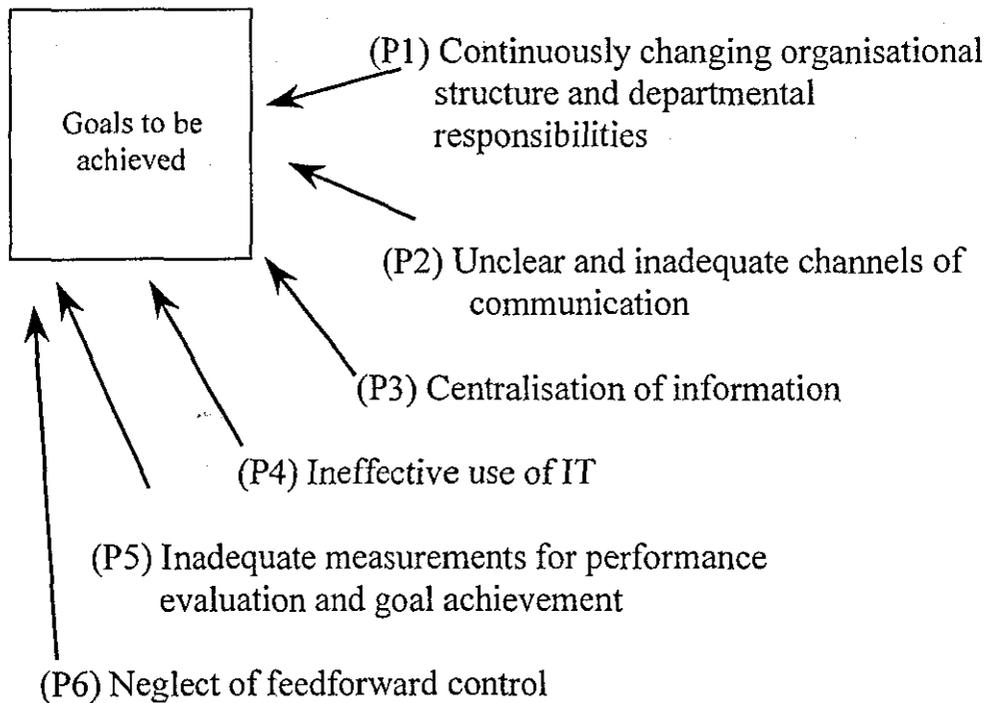
'Branches as operating units are not evaluated as far as I know' (interview 11),
And
'I do not think it (measuring branches' performance) is being applied' (interview 15).
Managers who expressed the idea that the evaluation of the department/branch and manager was one and the same thing were also unsatisfied with the measurements used. They thought measurements were unfair in being totally dependent on financial measurement and concentrating more on the short-term, which can work against long-term performance.

'The work of my department is evaluated through financial achievements... I look at it differently through technical improvements, enhancing my staff efficiency, and the calibre of clients I am able to attract. I care about long-term improvement, which might be reflected in the department's performance in the short-term' (interview 1).

4.18.2   Non-Financial Employee Performance Evaluation Measures Used at PB

I mentioned earlier [Section 4.18, Role of MAS in Providing Information on Performance Evaluation at PB] that the performance evaluation form used by superiors to evaluate staff was unclear and inadequate.   The issues raised by the interviewees concentrated on:

(1)   the frequency of the evaluation;

(2)   the attributes the form tried to measure;

(3)   unclear measurements for evaluating attributes;

(4)   the evaluation process given the above did not reflect meaningful and true evaluations.

Employee evaluation according to two of the interviewees (interviews 7, and 15) should be more frequent (e.g. quarterly rather than annually).

'To wait until the end of the year to tell an employee how well (s)he has performed would be too late' (interview 7).
This can be related to learning theory as feedback and knowledge of results leads to more effective learning when it is provided quickly, so that which was good can be reinforced and that which was bad can be corrected.

MAS adopted at PB was viewed by most managers as being unsatisfactory in terms of information provided for evaluation purposes due to the characteristics of MAS reports and the incomprehensive information on operations and in particular non-financial information and measurements.

'I want our employees to be proud to work for Phoenix Bank' (general manager interview).
And, as previously quoted by one of the interviewees:

'A satisfied employee is a productive employee' (interview 8).

228

On the attributes issue in the evaluation form, one of the managers said:

'Th(e) form contain(ed) some difficult measurements such as loyalty. I ask myself how can I measure an employee's loyalty? It is extremely difficult to measure a matter like loyalty.' (Interview 9).

4.18.2.1   Reliance on Financial Measures in MAS Information at PB

On the issue of non-financial measures and financial measures complementing each other, head office managers expressed their need for non-financial information in addition to financial information. Some interviewees were not happy with the situation that predominantly financial types of report were provided to them, as in the following quotation:

'I find non-financial information difficult to get. I cannot say I am satisfied with non-financial information reporting...the reason might be that non-financial reporting is done manually. I think data that is handled by employees become bulky and difficult to process and to get' (interview 11).

In the interviews, when managers were asked how were financial and non-financial results used in control, six managers out of 15 (excluding the general manager) said that financial information only was used and 8 managers said that both financial and non-financial data were used - though not in the same reports. One interviewee said his evaluation was based on technical issues. In performance evaluation, five interviewees out of 13 believed they were evaluated using financial measures only or mainly financial measures, while eight managers said that they did not receive any evaluation of the work of their departments, and two interviewees said it did not relate to them.

'Evaluation of the department's work is done through the financial achievements' (interview 1).

In an article published by the *Arab Banks Union magazine* (December 1999, p. 34) there was a clear call to Arab Banks to emphasise customer satisfaction instead of seeking to attain a certain market share. However, the magazine (in the same issue and in a featured report on Jordanian banks) discussed a number of financial measures in the evaluation of Jordanian banks without mentioning any non-financial measures.

Drury (1996, p. 512) finds that, in recent years: 'there has been a shift from treating financial figures as the foundation for performance measurement and control to treating them as one among a broader set of measures'. MAS in turn can help organizations achieve their quality goals by providing a variety of reports and measures that motivate and evaluate managerial efforts to improve quality' (Drury,

1996, p. 840; Hiromoto, 1991, p. 2). However, 'there is a danger that if non-financial measures that are necessary to compete successfully in today's worldwide competition environment are not emphasized, managers and employees will be motivated to focus exclusively on cost and ignore other marketing, managerial, strategic and other considerations' (Drury, 1996, p. 835). This agrees with the quotation from interview 1:

The work of my department is evaluated through financial achievements... I look at it differently through technical improvements, enhancing my staff efficiency, and the calibre of clients I am able to attract. I care about long-term improvement, which might be reflected in the department's performance in the short-term' (interview 1).
And the quotation from interview 8:

'I need and seek non-financial as well as financial information in my work for setting budgets and for branches' evaluation' (interview 8).
Qualitative factors that were mentioned by the branch managers as enhancing long-term future performance were: motivation, better-qualified employees, and better co-ordination among departments and branches.

In the area of measuring performance, non-financial measures are also advocated in relation to short- and long-term targets (Bromwich & Bhimani 1989, p. 16, Hiromoto, 1991, p. 2). Traditional financial measures report on what happened last period without indicating how managers can improve their performance in the next. 'Non-financial measures provide a balance between external measures like operating income and internal measures like new product development' (Kaplan & Norton, 1993, p. 134, 135). Nevertheless, the tendency to stress financial goals should be weighed against the degree of difficulty of measuring non-financial objectives.

Part V   THE EFFECTS OF EXTERNAL AND INTERNAL CULTURES ON MAS AT PB
4.19 Introduction
The issue of cultural effects on MAS has been discussed by a number of researchers. Strauss & Corbin (1998) and Smith, Dugan & Trompenaars (1996) remarked on the blind application of theories without giving due care to the contextual element. Trying to impose or judge is 'a mistake frequently made...theories developed in industrialised nations are superimposed on non-industrialised ones or on other industrialised nations that have different populations and cultures. The imposed theories just do not fit, either in whole or in part and thus can be very misguiding' (Strauss & Corbin, 1988, p. 287).

To take an example mentioned by Hughes (1965, p. 146) when considering motivational needs gave as an example, he has 'plenty of parking space' as a means of satisfying a physical maintenance need. This might be applicable to employees in the USA but does not apply to Jordan where the percentage of the population owning cars is much less. The concern of the majority of employees would be a work place that is easily accessible by public transport.

Social culture is part of the contextual environment to which an organisation has to adapt in the same way it adapts to economic, technological, political, and legal elements in the external environment [Exhibit 2.4, External Factors Affecting Design and Role of MAS].

The issue of the cultural effect attracted my attention when I asked interviewees for explanations regarding certain practices. The answer in a number of instances was that this was how things work: 'it is our culture'.

Although the research framework and the interview guide were not planned to emphasise cultural issues, their effect on the business community was explicitly referred to by 11 managers of the 16 interviewees.

Tribal, family and religious affiliations, which are part of the cultural and social factors, were quoted by the interviewees as affecting their work as well as various aspects of business activities in Jordan.

At times managers had a positive stance towards cultural influences, at others they attributed negative practices and the fact that there was little they could do about it. Quoting Peters & Waterman (1995) in describing how US managers adopted Japanese management practices:

> 'It was never so clear as in 1980, when U.S. managers, beset by obvious problems of stagnation, leaped to adopt Japanese management practices, ignoring the cultural differences, so much wider than even the vast expanse of Pacific would suggest' (Peters & Waterman, 1995, p. 5).

It is difficult to isolate cultural effects on certain areas of management to measure the impact of culture on managerial functions and systems. Organisations exist in their environments as open systems continuously interacting, affecting MAS design and being affected by them.

Gross (1965, p. 211) notes that 'individuals and systems in any organisation are always guided by some pattern of values' and that values can be 'internal and external' and can have many dimensions such as 'conformity and individualism', 'passivity and activism', 'freedom and control' and 'authoritarianism and democracy'.

Later Hofstede (1991) listed four dimensions: large power /small power distance, collectivism/individualism, masculine/ feminine, and uncertainty avoidance along which different cultures can be measured and compared.

In Large power distance cultures according to Hofstede (1991, p. 35), subordinates are expected to be told what to do, while collectivism pertains to societies in which people from birth onwards are integrated onto strong, cohesive ingroups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty (Hofstede 1991, p. 51). In a masculine culture a humanized job should give more opportunities for recognition, advancement, and challenge, while feminine cultures give more opportunities for mutual help and social contracts (Hofstede 1991, p. 94). Uncertainty avoidance as defined by Hofstede (1991, p. 113), is the extent to which the members of a culture feel threatened by uncertainty or unknown situations. The dimensions chosen by Hofstede echo some of the dimensions mentioned by Gross, although it needs to be said that measurements used by Hofstede were criticised as being unrepresentative of cultures, and too reductionist (Harrison & McKinnon, 1999; Chenhall, 2003, p. 154; Hopper, 2003, p. 19).

Those values that guide individuals and systems affect MAS from the design stage to the role it has in the planning stage to its role in control, implementation, post-audit, as well as defining OE and its attainment.

This section will discuss the cultural effects on MAS on:

(1) planning – the goal-setting process, participation in decision-making, and communication of strategies and goals;

(2) control - budgetary control and performance evaluation;

(3) organisational structure;

(4) effects of corporate culture on MAS.

The cultural effects were not confined to the nature of goals and processes but also covered some of the organisational structure characteristics of PB which were also identified to be the way they were due to cultural effects of Jordanian society (social culture) and within the banking sector in particular (occupational culture).

'I believe a cultural factor peculiar to our society is behind the current situation (centralisation and safeguarding of information) it is a widespread practice that staff talk freely about information made available to them through their work' (interview 4).

4.20   Cultural Effects on MAS in Planning and Decision-Making at PB

Managers talked about a family atmosphere at PB and about *'act(ing) as a father figure to...staff' (interview 6)*. In a society like that of Jordan, which can be described as being a male dominated society, the father who is traditionally the dominant figure at home is copied in organisations and plays the same role in the same 'dominant' way with his subordinates at work as he does at home.

This reflects itself in organisations in several ways: in the way decisions are taken, in communication, and in setting goals and plans.

'Our juniors are afraid to criticise or state an opinion contrary to their seniors as they know that such behaviour will not be acceptable. Managers will always say that their assistants or their staff know nothing about the work or that they still need 20 more years to be able to do their job properly' (interview 8).

What has been expressed by the interviewees agrees in some respects with Hofstede's (1991, p. 35) study on 'Cultures and Organizations', later work by Smith et al. (1996, p. 26), Javidan & House (2001, p. 294) in addition to the work of many others. Hofstede's (1991, pp. 26, 53, 84, 113) empirical study positioned Arab countries on the four cultural dimensions as large power distance, collectivist, masculine, and strong uncertainty avoidance culture.

Chenhall (2003, p. 154) acknowledges that Hofstede's values provide a convenient tool for research. However, his dimensions of culture when exclusively used prohibit understanding 'how behavior is influenced by the fundamental traits that influence how individuals think, feel and respond'.

Another criticism of Hofstede's dimensions is their reductionst characteristics of very complex aspects of cultures and lack of adequate theoretical foundations:

> 'Aspects of MAS behaviour, such as participation and performance evaluation, are correlated with four (sometimes five) dimensions of culture that purport to vary across countries. Such research is too distant from actual problems to be of practical value, and it is built on unsatisfactory theoretical foundations. It fails to see culture as a dynamic product of interactions between subcultures and sub-units in organisations, families, ethnic groups and stratification systems as traditional non-capitalist cultures change into modern, capitalist forms' (Hopper et al., 2003, p. 19).

In a small power distance situation subordinates expect to be consulted before a decision that affects their work is made, but they accept that the boss takes the final decision (Hofstede, 1991, p. 46). This aspect of the Jordanian culture affected the centralisation of the goal-setting process and corporate planning [see more in Section 4.15.5, Goal-Setting at PB]. Planning was confined to senior and top management and other levels of managers did not participate and at times did not feel the need to set goals relating to their own work.

'Branch managers are mostly at the receiving end, they almost never voice their opinions. This also has to do with our culture. Neither at home nor at work are juniors at liberty to say what is on their minds' (interview 6).

This agrees with Hofstede's view (1991, p. 35) that a 'high power distance' culture leads to an unsatisfactory interaction and iteration as communication is initiated by superiors and such a situation might give rise to conflict of interest between superiors and subordinates.

This applies as well to participation in different stages of goal-setting processes whereby organisational goals are decided by top management and the different managerial levels set their own goals in alignment with organisational goals through a process of interaction and iteration to reach a set of final levels of corporate, business and functional goals (Wilson, 1995, p. 160).

The phenomenon of participation in setting targets has been discussed earlier (Section 4.15.5, Goal-Setting Process at PB) as having a negative effect on the level of co-operation one would expect from managers who were not consulted or, according to cultural reasons, did not set goals that would serve them as individuals and at the same time are in alignment with the corporate goals [Section 4.12.2, Participation in MAS Reports Design at PB; and Section 4.17, Conflict of Interest in Setting Goals and the Game of Budget Control at PB].

A satisfactory process of interaction and iteration did not take place for setting goals and plans at PB. As described in the quotation (interview 6, on the previous page), managers were hesitant to speak their minds in front of their superiors.

A satisfactory exchange and communication cannot take place at work as juniors are expected to listen to their seniors and implement what has been decided by their superiors. This is a matter that was of concern to the general manager:

'I really do not know why it is that managers do not submit suggestions on their own initiative. I do not know whether it has to do with interpersonal relations?'

He continued to say that, when no suggestions were forthcoming, he would take the initiative and call up branch managers and suggest new ideas on how to plan and market their services.

Simon (1977, p. 97) agrees and adds that 'acceptance of authority denies participation in the decision-making process'. The acceptance of the patriarchal authority in Arab Society, as described by Sharabi (1992, p. 97), lets managers surrender duties of decision-making to their superiors and on the other hand superiors expect subordinates to show acceptance. However, Simon argues that

'increasing participation at the expense of authority will increase organizational effectiveness'.

One needs to consider in the case of PB the potential repercussion on employees if top management went against traditions when adopting a participative approach in management (that is, in contradiction to a long tradition of a well-regulated superior-subordinate relationship in a 'strong power-distance' culture).

One cannot but agree with the view that 'organizations will be most human, humane, and conductive to self-actualization when they strike a balance between freedom and constraint' (Simon, 1977, p. 98) but this balance is of necessity different from one country to another and dependent on time and place.

Given such a situation where managers do not effectively participate in goal setting, an implicit conflict of interest could arise between top management and the different levels of managers. Due to the existence of such situations, top management at PB had to make sure that PB's interests are protected and that social customs are used to advance PB's interest as noted to in the following quotation:

'(Personal relations) interfere with the proper implementation of procedures' (interview 11).

4.20.1   Cultural Effect on MAS in Planning for Marketing and Customers' Needs
The cultural effect on MAS was seen in planning for the marketing of services and products and customers' needs. According to most interviewees, meeting customer's needs in Jordan was by what the managers repeatedly described as 'personal relations'.

A client wants to feel that (s)he can *'trust the people in the Bank' (interview 5)* personally and not as an institution:
'I believe clients in many cases move with the credit officer as (s)he changes employment (interview 7).
This agrees with Hofstede's (1991, p. 67) findings that 'to the collectivist mind only natural persons are worthy of trust. Personal relationship prevails over the task and should be established first'. However, collected data did not show a 'collectivist' dimension as described by Hofstede in other aspects. Interviewees did not express positive attitudes or preferences to working in committees or belonging to work groups. Nor did they show preferences for collective compensation schemes [see more in Section 4.23.2, Committees at PB].

Personal relations are explained further as going, in many instances, beyond a business relation to a relation of friendship.

'We can not ignore the cultural factor which at times makes dealing with clients a tricky matter...my clients step into my office freely...they sometimes will come in just to say hello...Clients expect to be treated as friends and not only as business partners' (Interview 6).

This was observed personally and frequently during my many visits to the three branches and to head office managers. In many instances, Clients whether after finishing their business with a PB officer or at the customers' service counter, would just come in to discuss a matter with the branch manager or other head office managers, or just drop by to exchange greetings and, at times, more than a few words.

'When a client visits me, in most cases without a prior appointment, according to customs I have to receive him well and spend sufficient time chatting with him about this and that. This means wasting time with him at the expense of my other work. At the same time I have to go along or he will consider it as a personal insult' (interview 5).

Managers talked of the strong *'effect of family and tribal influence in the business community' (interview 6)* and, in particular, on attracting clients in a small economy such as Jordan. It is a generally recognised belief for them that, only by appointing a branch manager from a short list of families, can business in certain areas be reasonably generated.

In his book *'Neopatriarchy'* Sharabi (1992, p. 64) describes tribalism as still at the roots of Arab social life and a major obstacle facing the development of Arab societies. He believes that the development of tribal social structure into a 'neopatriarchy' social form reflected itself in a number of ways in Arab societies. The loyalty of the individual in the neopatriarchal society is to the extended family, tribe, religion or sect.

Javidan & House (2001, p. 299) rank Arab countries as being medium individualistic, and among the most in-group countries (Javidan & House, 2001, p. 300). The in-group is to be understood here to pertain to a close circle of family and friends and not in the sense of teamwork spirit.

Strong uncertainty avoidance (Hofstede, 1991, p. 113, Arab countries ranked 27/ 53) was not clearly observed or entirely applicable. This can be explained in the deterministic dimension (Miroshink, 2002, p. 259; Kirkman, Gibson & Shapiro, 2001, p. 23) whereby the will of God takes more prominence than individual effort in the planning and achievement of results [see more in Section 5.26, Cultural Effects on Planning and Goal-Setting in JCB].

The cultural effect on attracting clients had a number of dimensions. It depends on the factors that affect the society in its daily interactions. By this I mean:

(1) **Family and tribal ties**, which were described by a number of managers as being a continuously present influence in the business community.

(2) **Religion** - conspicuously avoided by all interviewees but a thorny topic better avoided particularly after the bitterness of prolonged years of war in neighbouring Lebanon. Nevertheless, it could not be brushed aside. Religion was directly mentioned by just one manager as an affecting variable, although families and tribes in Jordan are identified and affiliated along religious lines. Religion is part and parcel of the family and tribal factor in Jordan.

(3) **Other social affiliations** such as political affiliations or social groups.

One of the managers went on to say that the way (s)he executes his/her duties is also affected by the three factors of family, religion, and other social affiliations mentioned above,

'These elements affect decisions I take in the course of my work as they do in my ability to attract clients' (interview 15).

'Personal relations' were mentioned by 6 out of 10 managers as being what attracts a customer in Jordan. 'Personal relations' might not necessarily be motivated purely by personal gain but also by family ties or other social affiliations. It could have a positive effect of generating business or attracting needed skills but also *'in bending procedures and regulations when someone has the right connections' (interview 12).*

4.21 Cultural Effects on the Role of MAS in Control at PB

The influence of national culture on control systems [see discussion in Part IV of this chapter, Emphasis on Control Function as Compared to Planning for a description of the role of MAS in control at PB] was investigated by Lau & Tan (1998, pp. 164, 167) to examine the relationship between performance evaluative styles, performance, and the relationship between budget emphasis, budgetary participation, task difficulty and managerial performance. In a survey of 320 middle-level managers from Australia (a 'small power-distance') society and 160 managers in Singapore (a 'large power-distance' society) all working in financial institutions, Lau & Tan (1998) did not find significant differences as might have been expected regarding the research questions among managers in the two culturally different countries.

237

What Lau and Tan found might, on the face of it, seem to contradict what was observed at PB. Lau and Tan found no significant difference between managers in the two culturally different countries on questions regarding budgetary participation and whether high budget emphasis enhanced performance.

The explanation given by Lau & Tan (1998, pp. 173, 174) was 'that internationalisation and globalization of financial markets means that financial services sector managers have wider international exposure and focus than managers in some other industries'. Another reason given was that managers in financial institutions were exposed to other nations and cultural influences while receiving their education overseas.

The influence of western management practices is not the same for managers interviewed at PB as it was in the investigation of Lau & Tan. Managers of PB were not as exposed to international banking dominated by western practices.

PB does not have any branches overseas. Jordanian banks that have branches outside Jordan and the Arab world are very few. Out of the 16 investment and commercial Jordanian banks (CBJ, 1999 *Annual Report*) only one had branches in Europe, America and south east Asia, and two other banks each had an offshore branch in Cyprus. In 2001, apart form the Arab bank, only three other JCB have 10 branches outside Jordan and Palestine (CBJ, 2001 *Annual Report*).

Jordanian banks and PB for that matter are not significantly involved in international banking markets as they are small in size, the total assets of all Jordanian banks was $16,269 million in 1999 (CBJ *Monthly Statistical Bulletin*, June 2000, p.20). To place this in perspective, the total assets of the whole Arab banking sector combined is approximately equal to the total assets of the HSBC group ($ 485 milliards), which ranked as number 7 among the largest banks in the world (*Economic Outlook*, no. 13, January 1999).

The second reason Lau & Tan described for the absence of significant differences between financial managers in Australia and Singapore, was that managers working in financial institutions in Singapore received their education overseas. In the case of PB all managers interviewed received education in Jordan or in neighbouring Arab countries apart from one who received a college education in the former Soviet Union. The training courses offered to managers were mostly in Jordan and provided by Jordanian institutions.

However, a variable that was not encountered by Lau and Tan in their investigation was the restructuring stage. PB was undergoing a restructuring stage, which could have attributed to the effect on the degree of participation in setting budgets and budgetary emphasis in addition to the social culture factor.

The control function through budgetary control at PB stressed mainly financial targets such as profits, market share in deposits, and credit facilities [for more see Section 4.16.1, Budgetary Control of Branches at PB]. This was in accordance with what Hofstede (1991) concluded: in more masculine societies (Arab culture ranked by Hofstede as 23/53, p. 84) 'accounting systems stress the achievement of purely financial targets more than in more feminine societies' (Hofstede, 1991, p. 155). By masculine he meant 'assertive, tough, and focused on material success' as opposed to a *feminine society* which is 'more modest, tender and concerned with the quality of life' (Hofstede, 1991, p. 82).

The cultural effect can also be seen in **performance evaluation** (a process which affects the productivity of employees and OE). The social beliefs and attitudes of a society affect the criteria used, the design, and implementation of the performance evaluation process [see Section 4.18, Role of MAS in Providing Information on Performance Evaluation at PB].

The design needs to take advantage of social culture and try to avoid what blatantly goes against it. Most managers found the performance evaluation process unsatisfactory and not capable of producing meaningful evaluations. The dissatisfaction mentioned related to the process of performance evaluation itself. It also dealt with the fact that management has to evaluate employee performance, as this is what principles of management dictate, but applying it effectively has to take into consideration the social and cultural context of Jordan. The manner in which it was applied ran against the local culture in Jordan.

'Employee evaluation is extremely difficult for me, to fill-in an employee evaluation report saying his work is unsatisfactory and recommend that he be sacked, this sort of thing cannot be done in Jordan' (interview 4).

The manager in interview 4 is referring here to a small, close society in Jordan where family and tribal ties are strong and, at times, come before other affiliations (Sharabi, 1992, p. 64). What was clear in the interviews was that the performance evaluation process was unsatisfactory because its design did not take into consideration certain sensitivities in the culture such as directly confronting employees with negative

comments, in addition to the other shortcomings discussed in Section 4.18, Role of MAS on Providing Information in Performance Evaluation at PB].

'In our society a manager would not tell an employee to his/her face that (s)he is dissatisfied with his work. So how do you expect him/her to fill an evaluation report to that meaning and still look him in the eye?' (Interview 9).
The manager in the above quotation was referring to the employee evaluation form used at PB.

The above agrees with Hofstede (1991) and Sharabi (1992, p. 64) on both recruitment and dismissal in a 'collective' society (Arab countries ranked on the individualism dimension 26/53, Hofstsede, 1991, p. 53). By 'collectivism' it is meant 'that people from birth onwards are integrated into strong, cohesive 'in-groups', which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty' (Hofstede, 1991, p.51). This consequently puts more weight on the recruitment of new employees than it does for other countries.

Cultural effect plays an added part at this point as mentioned earlier by one of the managers that regulations can be bent to suit personal, family and tribal relations,

'Proper qualifications are not what decide who is employed' (interview 4).

A recruitment process needs to be a major safeguard in a services industry such as banking. The work of employees at a bank cannot be counted or even physically observed, as it the case in manufacturing industries. A great deal will depend on a satisfactory and reliable recruitment policy and process.

Spicer & Ballew (1983, p. 86) agree on the importance that the recruitment of employees has by saying that the firm may have little choice but to rely almost exclusively for control purposes on an 'ex ante selection mechanism and rigorous training and socialization processes'.

An inefficient employee appointed through a flaw in the recruitment and selection system, or through the bending of the rules under pressure of the social culture will end up as a financial burden and a demotivating factor to other employees as expressed by a PB interviewee. Nevertheless, as expressed earlier (interview 4 on the previous page) by one of the managers, dismissing an inefficient employee is not an option and managers will have to live with the situation.

4.22   Effects of External Culture on the Organisational Structure at PB
Cultural effects observed on organisational structure, discussed below, are not confined to PB and Jordan but have been explained by other researchers from

different cultures. Cultural differences do have an influence on organizational structure and management decision-making that can aid or hinder organizational effectiveness (Johns et al., 2002, p. 89).

Gordon & Narayanan (1984, p. 33) agree on the significance of external culture on organisational structure and argue that, 'after controlling for the effects of the environment, the relationship between an organization's information system and structure is no longer significant'. However, their conclusion ignores the effect of factors such as management style/corporate culture, psychology of systems' users, and internal politics.

What has been discussed in Part II of this chapter on the inadequacy of the diffusion of information was explained to be as a result of the social custom of freely talking with friends about what takes place at work and comparing experiences, said to be common in the Jordanian society. This can also be linked to what the general manager said , namely that:

'Rumours circulated by people affect (my work)...in a small community like ours rumours spread quickly'.

Hofstede (1991, p. 35) describes large power distance cultures such as Jordan (Arab countries ranked 7/53 countries and regions, p. 26) as having organisations with power centralised in a few hands and subordinates who are expected to be told what to do. These phenomena were observed and discussed in Section 4.10.4, Centralisation of Information at PB; and centralisation of authority is discussed in Section 4.10.7, Other Organisational Structure Elements at PB].

Hofstede (1991, p. 141) continues to describes organisations in large power distance cultures as a 'pyramid of people'. 'The general manager on <u>top</u> of the pyramid and each successive level has its <u>proper</u> place below (stress added). This was reflected in a number of issues such as bureaucratic procedures where subordinates address their superiors in formal terms and use proper titles. It can also be noted from what interviewee 13 said:

'Most of my staff and those who report to me are not as well informed as I am of what goes on around them. So, I teach them how to use information and how to implement decisions taken' (interview 13).

In addition to the goals-setting processes [see discussion in Section 4.15.5, The Goal-Setting Process at PB], the effect of culture on organisational structure is also reflected in the limited use of committees and groups [see discussion in Section 4.23.2, Committees at PB].

241

4.23 Effects of Corporate Culture on MAS at PB

'There was a king who liked slender waists, and people starved themselves to become thin. Another king admired bravery, and people endangered themselves and fought duels to the death...The handle of authority and power easily influences fashion and changes morals' (The Book of Leadership & Strategy - Lesson of Chinese Masters, translated by T. Cleary, 1990, p. 65)

'External values' affect all activities of business life but they are reflected in different ways when cultural values interact with personal attributes and beliefs of top managers to create a corporate culture.

Corporate culture was described in different terms by many researchers as 'internal pattern of values' (Gross, 1965, p. 211); as 'shared perceptions of daily practice' (Hofstede, 1991, p. 183); or as 'the pattern of shared and stable beliefs and values that are developed within a company across time' (Gordon & Di Tomaso, 1992, p. 784); and still as 'meaning and values constructed and shared between members' (Preston 1995, p. 289).

Corporate culture is what better fits the implicit model of the leader (Hofstede, 1991, p. 151). It is greatly influenced by 'those in position of leadership' (Hughes, 1965, p. 14) and 'can sometimes be observed only in power centers' as exercised by founders, leaders, and powerful persons (Schein, 1990, p.11, as quoted by Gordon & Di Tomaso, 1992, p. 789).

A number of researchers' beliefs converge in the view that top management sets the general atmosphere in an organisation in terms of goals and strategies, and style of management (Hughes, 1965, p. 46; Hofstede, 1991, p. 183; Gordon & Di Tomaso, 1992, p. 789; Alexander, 1994, p. 4). Peters & Waterman (1995, p. 6) quote Chester Barnard of General Motors in describing good managers as value shapers concerned with the informal social properties of organization.

Corporate culture may then be described as the input of the national culture processed through the inherited and cognate characteristics and attributes of top management in an organisation interacting with the environment. It is reflected in the choice of corporate goals, systems, and processes instituted to achieve them. Corporate culture values are transmitted through formal written procedures and through 'softer means: specifically the stories, myths, legends, and metaphors' (Peters & Waterman, 1995, p. 282). [See Section 3.15.2.1, The Role of MAS in Maintaining Organisational Integrity].

Corporate culture embraces important dimensions such as 'time horizon over which goal accomplishment is measured' Markus & Pfeffer (1983, p. 209), processes such as budgeting (Preston, 1995, p. 284), and measurements 'of customer satisfaction, internal business performance, and innovation and improvement are derived from the company's particular view of the world and its perspective on key success factors' (Kaplan & Norton, 1992, p. 77).

Some researchers though have belittled the effect of the corporate culture to 'superficial manifestation like common symbols, heroes, and rituals, and stressed the effect of national culture on organisations' (Hofstede, 1991, p. 236). Others believe that corporate culture 'can in large determine the 'success/failure' of an accounting information system implementation irrespective of technical merits' (Bromwich & Bhimani, 1994, p. 237) or that, with a strong corporate culture, the ever present possibility of abuse is present (Peters & Waterman, 1995, p. 79). However, corporate culture's effect on the organisation is not only because employees in the different levels have internalised and adopted top management's ways, but because they would follow the chief executive if only to forward their own interests.

Gordon and Di Tomaso (1992, p. 786) in a study of 11 US insurance companies observed how certain cultural values fit certain types of industries, such as 'companies in highly dynamic industries' being 'characterised by cultural values that enhanced adaptability'. The study also (Gordon and Di Tomaso, 1992, p. 794) supported previous research in that a 'strong culture is predictive of short-term future company performance'.

Strong culture can be explained as 'the consistency of perceptions of company values' (Gordon and Di Tomaso, 1992, p. 794), or as 'those shared values [which] can be seen to survive for decades after the passing of the original guru' (Peters & Waterman, 1995, p. 26). Strong leaders' values, in addition to consistency and survival need to be diffused formally and informally within an organisation.

What was found on the impact of corporate culture on various areas in PB (including MAS, organisational strucutre, goal-setting, and committees) agrees with the findings of other researchers as discussed above. However, the 'consistency' mentioned by Gordon & Di Tomaso was not found in the PB case study as large changes took place at PB from February 1993 to October 1997 -the date when the new management was appointed- to June 2000 -the date the case study was concluded.

Nevertheless, the new management showed adaptability to internal and external conditions of PB and that contributed to the enhancing of organisational effectiveness after the new management team took over [see discussion on results achieved in 1998 – 2001 in Section 4.24, Epilogue].

The case study covered the higher levels of management at PB [Exhibit 4.3, PB Organisation Chart 1998; and Exhibit 4.2, List of Interviewees]. During the time of the case study, PB was going through a restructuring stage. The oldest of the new management team had only been in office for two years.

PB had a *'diversity of educational backgrounds at the Bank, social backgrounds, and different schools of management as a result of change in ownership and in management' (interview 8).*
This was also expressed by the general manager when he said:

'At the moment we have different cultures at the Bank. There are the old employees and employees...who joined...as a result of the merger... and there are employees who joined Phoenix Bank after the merger...and there is the new management team; it will take some time to melt all these into one corporate culture'.
The corporate culture the general manager advocated as being induced from the goals set for PB and from what he said was:

1. all for the restructuring stage,

2. open communication,

3. management by objectives,

4. teamwork and collective decision-making through committees,

5. emphasising qualifying and training employees.

4.23.1   Sub-Cultures at PB

In addition to the influence of the general manager and chairman there were sub-cultures or 'informal cultures' at PB. These sub-cultures were either inherited from previous managements or were peculiar to certain managers. They manifested themselves in a number of ways as stated by the manager in interview 2 in describing control activities:

'I see myself as a traffic warden',

Or the sign posted next to the elevator saying,

" It is <u>forbidden</u> to use the elevator going down" (stress added).

Cunningham (1977, p. 470) discussed the effect which sub-cultures have in an organisation and the need for the issue to be addressed in organisational change

efforts. The need for a common language if not a common culture was emphasised by a number of managers as well as by the general manager as a factor contributing to enhancing OE [Exhibit 4.20, Structural and MAS Design Problems Affecting Goal Achievement at PB].

'Unifying language among branches and head office managers...is greatly needed'
(interview 8).

A strong unifying factor that was expressed by managers interviewed was 'the needs of the restructuring stage'. This was the common language of all managers, it was their 'mission'. One manager even referred to it as a 'national duty'.

4.23.2   Committees at PB

The cultural effect on MAS was also felt in what the new management was trying to introduce and that is working through committees and the spirit of teamwork. This agrees with what Simon (1977, p. 133) describes, albeit in a different culture, that an individual 'works much better when he is teamed with his fellow man in coping with an objective, understandable, external environment'.

Interviewees remarked on this:

'The culture of teamwork is still weak at the Bank' (interview 8).

This explains why 5 managers out of 15 (excluding the general manager) said that they either do not sit on any committee or that that they worked on *ad hoc* committees only.

'I personally think that committees might work in other countries but not in Jordan. I do not believe in committees as a principle nor as a practice" (interview 12).

Committees were introduced to serve a number of purposes at PB:

(1) to exchange information among members of administration on matters internal and external to PB;·

(2) for planning and co-ordination of new projects;

(3) to build a team spirit;

(4) to reach collective decisions such as credit decisions.

The opinions of interviewees on the work of committees ranged from:

'I like to stress teamwork within a committee framework even if not much is achieved" (interview 8),

and, *'I feel that committees (inter-departmental) are a good tool to achieve management goals' (interview 2),*

to *'I personally think that committees might work in other countries but not in Jordan' (interview 12).*

Exhibit 4.20

Structural and MAS Design Problems Affecting Goal Achievement at PB

(P1) Continuously changing organisational structure, and departmental responsibilities

Goals to be achieved

(P2) Unclear and inadequate channels of communications

(P3) Centralisation of information

(P4) Inefficient use of IT

(P5) Inadequate measurements for performance evaluation and goal achievement

(P6) Neglect of feedforward control

(P7) Unclear corporate culture affecting availability and diffusion of information

245 A

However, the role of committees at PB was not yet as clear or as well-established as they were introduced by the new management only a couple of years before the date of the case study to create a 'teamwork' culture (interview 8).

Peters & Waterman (1995, p. 132) note how 'the excellent companies use this mundane tool quite differently from the rest. The task force is an exciting, fluid, *ad hoc* device in the excellent companies. It is virtually *the way* to solving and managing thorny problems, and an unparalleled spur to practical action'.

The restructuring stage helped the role of MAS in providing information by spreading an atmosphere of co-operation among managers. But, as the influence of a strong corporate culture as described earlier (see Section 4.23, Effects of Corporate Culture on MAS at PB) could not be found at PB this did not work towards achieving a higher degree of OE [Exhibit 4.20, Structural and MAS Design Problems Affecting Goals Achievement at PB]. Two factors worked against a strong corporate culture: those of strong sub-cultures still found at PB from previous managements, and the factor of the consistency of corporate culture that suffered as a result of several changes before and after the new management took over in September 1997.

The 'open door policy' mentioned by managers in the interviews and open communication helped to reduce the drawbacks that worked against the desired effect of the new corporate culture. However, the open door policy and open communications were marred by information gatekeepers and the centralisation of information. The effect of committees, as explained on the previous page, was still in its nascent stage and had little impact on enhancing the role of MAS and OE in respect of collective decision-making and the flow of information.

The effect of management by objectives (MBO), another dimension of PB corporate culture [see Section 4.23, Effects of Corporate Culture on MAS at PB], was not to have a substantial impact on the role MAS in providing a better means of control as it was explained earlier [Section 4.15.4, Characteristics of Departmental Goals at PB] in this chapter as departments did not have clear, quantified, measured objectives nor did some of them receive feedback reports on their performance. Consequently, at this stage MBO could not have played a practical role.

Nor could the fifth dimension of corporate culture mentioned in Section 4.23, Effects of Corporate Culture on MAS at PB, of emphasising qualifying and training PB employees that was not specifically mentioned and therefore which could not have played a role of any significance in enhancing OE.

The restructuring stage atmosphere could be felt among the new management team and provided them with a personal motive to achieve and succeed in introducing change. The effects of other dimensions of PB corporate culture [see last paragraph in Section 4.23, Effects of Corporate Culture on MAS at PB], team work and collective decision-making through committees, and emphasising qualifying and training employees on enhancing OE were not substantial.

Change at PB came centrally from top management recognising the need for change to initiate better performance, so plans for change and its organisation and implementation were all overseen by top management. From this followed new departments, new positions, change in responsibilities of department managers, and organisational structure changes in several organisation charts for the period from the appointment of the new management to the time the study was done. Although the change was clearly a top-down effort, the new management team brought in by the general manager also had a role to play. They knew that they were recruited in the first place to introduce change in the aim of improving PB's performance, so there was also an element of local change that was seen by the new management team as necessary to mobilise PB's change process.

4.24   Epilogue

The extensive and in-depth study of MAS at PB showed a number of positive and negative elements in MAS design and operation. Although PB achieved a degree of OE by partially achieving some of its corporate goals, the weaker points worked against a higher and sustained enhancement of OE.

Cunningham (1977, p. 465) agrees with what was pointed out at several points in this analysis, that 'the organisational system functions effectively to the degree that its subsystems are in harmony and are co-ordinated to work together'. This is true of the relation of MAS as a system to the other organisational systems and to the overall OE of PB.

MAS reports used at PB were viewed by all managers interviewed as helpful in knowing 'where do they stand?' (12 managers out of 15 excluding the general manager) as the first stage in the Wilson & Gilligan model and 'the base line for planning' (Wilson & Gilligan, 1997, p.6).

The second stage of 'where do we want to be?', although decided by top management, has to be sufficiently communicated to all levels of management.

247

However, the interviewees did not show clear understanding and internalisation of corporate goals. The way plans were discussed earlier in Part II of this chapter underlines that [Exhibit 4.17, Problems Relating to Corporate and Departmental Goals Affecting OE].

MAS reports used at PB did not provide managers with their needs for information in the *'how to get there?'* stage in planning as information was unavailable or deficient and/or insufficiently diffused through PB as can be seen in Exhibit 4.19, Structural Problems Affecting MAS Design and Operation and Goal Achievement at PB; and Exhibit 4.20, Structural and MAS Design Problems Affecting Goal Achievement at PB].

In choosing between alternatives or 'which way is best?' stage to get where they wanted to be, 11 managers out of 13 who received them found MAS reports unhelpful in finding solutions and just gave them an indication of a problem area [Exhibit 4.20, Structural and MAS Design Problems that Affected Goals. Achievement]. The general manager remarked on this by saying:

'Management reports draw my attention in an indirect way as I try to read between the lines'.

In the case study managers found MAS reports helpful in attracting attention but stopped short of providing enough search information to scan in trying to find possible solutions.

'Management reports do not fully assist me with finding solutions to problems. They mostly provide the day-to-day solutions' (general manager interview).

On *'how to ensure arrival?'* in reaching the chosen goals, the fifth and final stage, feedforward and feedback control information will be used again in a new cycle of planning (Wilson, 1998, p. 10). The managers were divided on the issue of whether MAS reports were helpful in measuring the degree of achievement of operational or corporate goals. Seven managers out of 13 who received MAS reports said that they were helpful in measuring the degree of goal achievement while 6 managers said they were not helpful [more under Part IV of this chapter, Emphasis on Control Function as Compared to Planning - Short-Range Orientation].

The emphasis on the control function enhanced OE in terms of market share and concrete results were produced. By the end of 1998, after the new management team took over PB in 1997, it was able to achieve a growth of 29.7 % in total assets (*The Arab Banks Union magazine*, January 1999, pp. 77, 81) compared to an average growth in total assets for all Jordanian banks of 8.1 %.

In deposits a growth rate of 30.5 % was achieved (*The Arab Banks Union magazine*, January 1999, p. 81) as compared to the overall average growth in deposits for all Jordanian banks for the same period of 8 % (*The Arab Banks Union magazine*, January 1999, p. 74). The growth rate of credit facilities for 1999 was also a high of 36.7 % (*The Arab Banks Union magazine*, January 1999, p. 78). [Exhibit 4.21, PB Deposits and Credit Facilities from 1994-2000].

According to PB's 1999 *Annual Report*, PB was able to achieve in 1999 a growth rate of 14.29 % in total assets compared to 1998. In deposits the growth rate was 16.12%, and growth of 9.98 % in total credit facilities was achieved in view of a growth rate of 1.7 % in real terms in GDP in 1998 and 1.5% real growth in GDP in 1999 (CBJ 1999 *Annual Report*, p. 5).

All of the three measurements of growth in deposits, credit facilities, and total assets decreased in 1999. The growth rate in total assets of PB for 1999 has decreased by 51.89 % compared to the growth rate achieved in 1998 over 1997 figures (from 29.7% in 1998 to 14.29% in 1999). Growth in total deposits decreased by 47.15 % (from 30.5% in 1998 to 16.12% in 1999). There was also a fall in the growth rate in total facilities by 72.81 % over the growth rate achieved in 1998 (from 36.7% in 1998 to 9.98% in 1999) [Exhibit 4.21, PB Deposits and Credit Facilities from 1994-2001].

It should be acknowledged that the 1999 results showed growth rates and a number of administrative improvements were introduced as part of the restructuring stage, although the growth rate in all the three measurements fell compared to 1998. One explanation can be given as 'organizational objectives are multiple, partially conflicting and subject to change over time, appropriate measures of performance will have similar characteristics' (Emmanuel, et al., 1990, p. 32). PB management gave different weightings to its goals each year.

To use a second measure of OE. PB achieved an improvement of 21.7% in 1998 over 1997 in its market share in deposits from 2.3% in 1998 to 2.8% in 1999 to 2.87% in 2000, to 2.9% in 2001 (CBJ 1998 *Annual Report*, p. 9; CBJ *Monthly Statistical Bulletin* June 2003; PB Annual Report 1998, 1999 and 2001) showing a very slight increase of 2.5% in 2000 over 1999 and 1.05% increase in 2001 over 2000, given that the increase of total deposits for the banking sector increased in 2001 over 2000 by 6%.

Exhibit 4.21
PB Deposits (excluding deposits of other banks)
and Credit Facilities from 1994- 2001 (JD million)
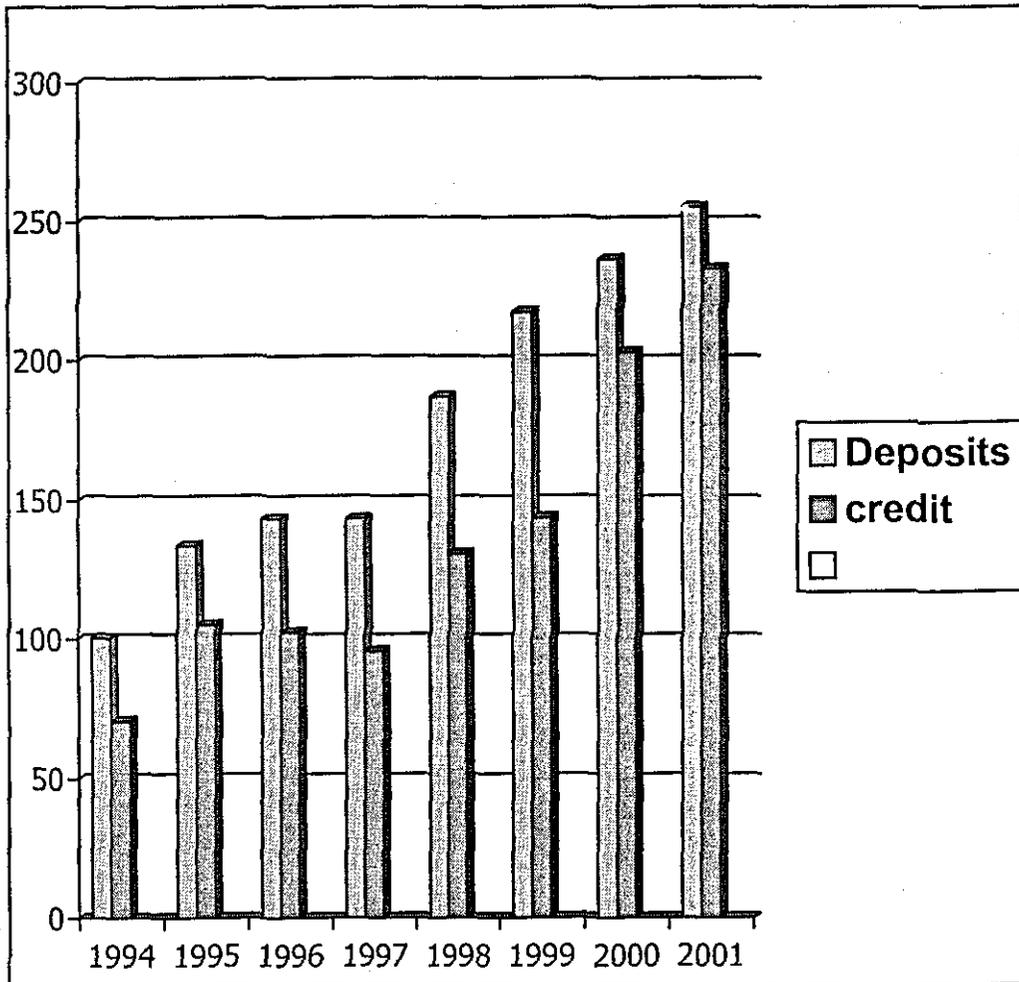
	1994	1995	1996	1997	1998	1999	2000	2001
Deposits (JD million)	100.3	133.6	143.4	143.4	187.2	217.4	236.4	255
Credit facilities (JD million)	70.4	105	102.4	95.6	130.7	143.8	203	232.8

The same trend in enhancement of PB's market share in credit facilities showed an increase of 12.5% in 1998 over 1997 – from 2.4% in 1998 to 2.7% in 1999 -. In 2000 PB's market share in credit facilities increased to 4.46% showing a substantial leap of 59.29% in 2000 over 1999 but stabilising at 4.7% in 2001, whereas total credit facilities in 2001 over 2000 increased by 8.75% [Exhibit 4.21, PB Deposits & Credit Facilities from 1994-2001].

Nevertheless, as can be seen from Exhibit 4.22, PB Profits (Before Tax) from 1994 – 2001, PB suffered losses in 1997, 1998, and 1999. In 1999, an improvement in results was achieved as losses fell from JD 2.4 million to JD 1.5 million. This substantial decrease of 37.5%, which can be explained better, and the trend observed further in 2000, as a slight profit of JD 0.267 million was achieved in 2000 only to fall back in 2001 to show a loss of JD 0.893 million.

The improvement in results came along with the improvements introduced in MAS and improved managerial skills as well as an improvement in other systems and procedures with the appointment of the new management team.

To explain the reason for the fall in growth rates, it would not be accurate to rely on the financial measures stated above to judge any change in OE. Lewin & Minton (1986, p. 528) agree with this as 'whatever the criterion or the unit of analysis, effectiveness is determined in relative terms and often require some subjective means of combining multiple measures or a judgement to use a single aggregate measure' [see discussion in Section 3.25, Characteristics of Goals Used in the Goal Model for Assessing OE].

In the analysis of the data collected at PB, I have showed that it was not possible to measure goal achievement for customers' satisfaction in terms of new products and services since the new management team took over, although some new banking services in the period were being considered and one new type of service was introduced at PB.

It was not possible to measure goal achievement vis-à-vis employees' satisfaction, as although top management identified customers' satisfaction and employee development and qualification enhancement as corporate goals, no information or measurements were available on those two issues. Employee turnover was part of the non-financial measures of customers' satisfaction. As was found in the case study the employee turnover due to the restructuring stage exceeded 50 % p.a.

Exhibit 4.22
PB Profits (before tax) from 1994- 2001 (JD million)
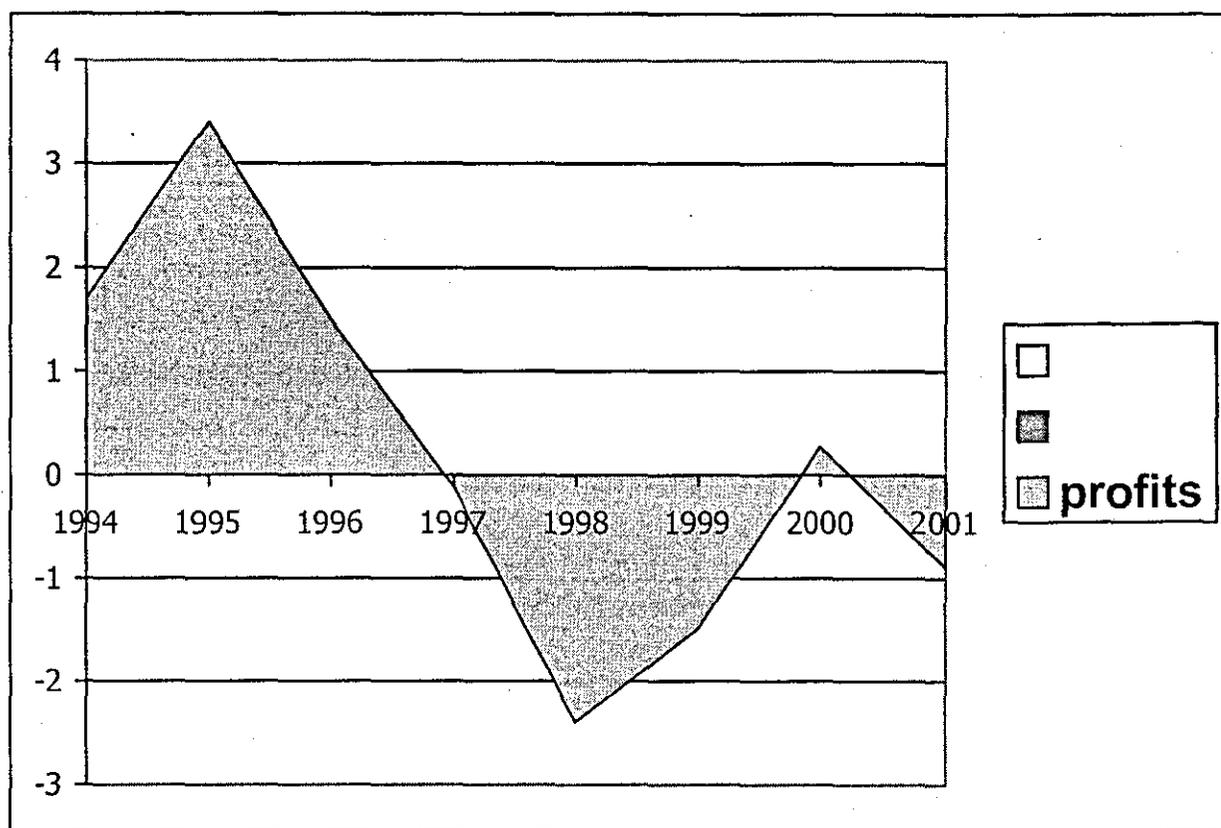
	1994	1995	1996	1997	1998	1999	2000	2001
Profits (JD million)	1.7	3.4	1.5	-0.12	-2.4	-1.5	0.267	-0.893

250 A

Having more than half of the employees of PB as new employees each year reflected itself in the need for more efforts to train staff. But that was something which PB's management could not do in its attempt to cut down costs at that stage. There seemed to be a strong emphasis on developing the technical abilities of PB employees. Developing employees' skills was stated as a goal in the annual reports from 1995-1999 as well as being mentioned in the chairman's article referred to in Section 4.15.2, Corporate Goals at PB, as 'employees self-development through assistance in improving and broadening work related skills'. It was also expressed by the general manager when he said:

'We want our employees to feel proud to work at Phoenix Bank'.

Although PB's management prepared a career-path plan that was first introduced in 1999, such a plan can be considered as part of the maintenance media for satisfying employees' maintenance needs more than being concerned with the self development of employees. Looking at annual reports figures between the years 1994-1998 (1999 figures were not available in the annual report) management spent on average over the 5-year period JD 17,430 annually (1 STG = JD1.012, average exchange rate on 27/10/2000, CBJ *Monthly Statistical Bulletin*), or between 0.028 % to 0.6 % of total general and administrative expenses on training with an average of 0.3% per annum or 0.18 % of net interest and charges received (PB *Annual Report* 1998). These amounts do not seem to reflect the emphasis placed on developing employees so frequently mentioned by top management.

On the other hand managers still complained about the lack of qualified staff as can be seen in the quotations from interview 13 in Section 4.22, Effects of External culture on Organisational Structure at PB. So it cannot be said that there was a greater degree of 'developing employee skills through training courses and IT technology to achieve distinguished performance to serve clients' [see PB Chairman's published article in Section 4.15.2, Corporate Goals at PB; and Exhibit 4.16, A Comparison of PB Interviewees' Answers with Corporate Goals as in Annual Reports (1994-1998)] although employee development and enhancing performance was one of the top management's goals. MAS reports were not used with a view of providing such information for management. The result was individual impressions by managers from their personal perspectives. The MAS has failed to serve management in this respect due to failure in the design of the system, given that reaching higher degrees of achievement of the other goals requires an

enhancement of employee qualifications and employee development all in turn affecting any enhancement in OE [Exhibit 4.6, Availability and Diffusion of Information; Exhibit 4.16, A Comparison of PB Interviewees' Answers with Corporate Goals as in Annual Reports (1994-1998); and Exhibit 4.20, Structural and MAS Design Problems Affecting Goal Achievement at PB]. The MAS adopted at PB was not designed to provide such information.

Feelings of job insecurity were expressed by a number of managers as felt by their staff:

'Some employees do not feel job security and I believe this is affecting their performance. I think that it is possible to do something about it' (interview 1).

When managers at PB were asked whether they felt that employee satisfaction was being properly measured, 10 managers out of the 14 (excluding the general manager) who answered said it was not properly measured. Three managers said they measure it by the number of complaints they received from employees, but did not mention how they learned about the silent majority. Two managers answered by saying *'you can never please employees' (interview 11 & 13).*

One plausible explanation of such an attitude described as 'insatiable employees' was given by Hughes (1965): 'What is really happening is that they seek maintenance needs owing to the denial of opportunity to contribute meaningfully to the setting of company goals' (Hughes, 1965, p. 148).

A safeguard measure was applied by giving employees the right to read their performance evaluation report before having it sent to the Personnel Department. However,

'A small number of employees protest at the evaluation in the evaluation reports' (interview 13).

This can either mean that managers would have given a positive evaluation to all their employees as expressed by one manager:

'How can I look him (employee) in the eye after saying negative things about him in the report?' (interview 9);

or that employees knew the futility of protesting over their managers' evaluation and preferred to leave matters as they were waiting for the appropriate moment to voice their discontent.

One indicator of employee satisfaction is the rate of employee turnover. Employee turnover showed a high rate in 1999 but a 50 % employee turnover rate [measured as number of new employees/ total number of employees] was considered by the personnel manager as ' within the normal range'.

Given that there was not enough information on employee satisfaction or a satisfactory measure for evaluating it, it is not possible to evaluate the role of MAS in enhancing OE in this respect.

MAS as an information system designed to serve management in strategic and short-term planning and decision-making and in control was not designed to provide such information in the first place [Exhibit 4.20, Structural and MAS Design Problems Affecting Goal Achievement at PB]. The causes behind that were lack of intent on the part of top management, cost rationalisation reasons, and cultural reasons.

A phenomenon discussed by many researchers is that variables that are easier to measure get to be measured and what is measured gets to be controlled (Rangone, 1997, p. 216). To take an example, we find the change in value of deposits or credit facilities of profit realised by PB branches were measured and monitored periodically. However, MAS at PB did not try to measure the effect of qualitative factors.

Thirdly, traditionally research and customer surveys and survey attitudes do not receive serious and widespread consideration by the business community in Jordan, or, if considered, are gracefully put aside for -a never ending- for the time being. An explanation could be the small size of Jordanian banks. The resources available to Jordanian banks are relatively limited compared to those of large international banks. Carrying out customer surveys and employee attitude surveys is a costly and lengthy process that needs managements' commitment.

On the other hand, the Jordanian market is characterised by over-banking and strong competition among Jordanian banks that compete mainly in the Jordanian market - apart from the Arab Bank- only three other JCB have a total of 10 branches outside Jordan and Palestine.

Otley (1995, p. 55) gave the performance of an organisation as a further reason that influence the type of control system adopted besides the organisational state of an organisation and the cultural values. This relates in a way to 'the restructuring stage' mentioned earlier in this section. 'Controls used by an organisation are highly likely to be influenced by how successful it is. Highly successful organisations are likely to have surplus resources and not to require strict formal controls' (Otley, 1995, p. 55).

Otley's statement agrees with what was observed at PB where a comprehensive and well-balanced control system was not implemented, and control was strictly applied through budgetary control and hierarchical authority.

A further factor believed by Hofstede (1968) to contribute to enhancing OE besides control is the need for achievement. The 'need for achievement is a powerful motivator…It depends strongly upon the leadership skills of the budgetee's superior, but also upon the way the system is organized' (Hofstede, 1968, p. 6).

Hofstede is referring here to two factors, the managerial skills and the control system, which incorporates the design of the system, the type of information collected and provided to users for employees' appraisal and self-development.

The use of budgets and budgetary control was reflected in the enhancement seen in PB's 1998 figures although the economic situation in Jordan stayed the same, as the real growth rate of the Jordanian economy in 1998 and 1999 was similar (at around 2% in real terms). The improvement in all the measures of deposits and credit can be related to reasons such as the one explained in the quotation by the manager in interview 8:

'Budgets and budgetary control helped improve branches' performance a great deal'

Hofstede (1968, p. 13) agrees with what has been observed, namely that the 'total amount of control in the organization tends to be positively associated with organizational effectiveness'.

The improvement in results achieved by PB in 1998 and 1999 were a result of a better MAS in terms of better control information, budgets, budgetary control, MAS reports, and better managerial skills introduced by the new management team. But the trend was substantially reversed in 1999 as shown by lower growth rates [see Exhibit 4.10, Deficient Information Circle].

Although more emphasis on control than on planning was found in the study of the role of MAS in terms of design, purpose, and characteristics, control was not comprehensive [see discussion in Part IV of this chapter, Emphasis on Control Function as Compared to Planning: Short-Range Orientation]. There was over-reliance on a small number of control tools, methods, and measures that were mainly financial in nature [Exhibit 4.20, Structural and MAS Design Problems Affecting Goal Achievement at PB; and Section 4.16, Forms and Areas of Control at PB].

The enhancement in OE was realised and measured mainly in financial measures but not in other management measures which are customer satisfaction and employee satisfaction. Consequently, it was not possible to establish a comprehensive overall picture of OE at PB as customer satisfaction was not measured other than through complaints and customer retention, while no procedures where followed to measure

employee satisfaction. The use of a 'multiple measure' to provide such a comprehensive picture was not possible.

It was also found that PB's performance reached a state where it started to stabilise. This can be depicted as shown in Exhibit 4.22, PB Profits (Before Tax) from 1994-2000 and Exhibit 4.23, The Role of MAS in Enhancing OE which show a projected performance of a Jordanian commercial bank (A) that takes full advantage of all the components of MAS all other matters being equal, which can be signified in the relation of:

OE = f(Management systems including MAS + Structural factors).

MAS in the equation should be able to provide the effective collection of information internal and external (availability of information) and free flow of information using vertical and lateral channels (diffusion of information) [Exhibit 4.6, Availability and Diffusion of Information]. Proper care for the planning process and the goal setting processes (a forward looking system) [Exhibit 4.7, The Role of MAS in Planning and Decision-making] and ensuring the proper implementation (control) [Exhibit 4.11, The Role of MAS in Control] with an understanding of the social and cultural context (cultural effects on MAS) while other structural factors that affect the design and operation of MAS should be conducive to the operation of MAS [Exhibit 4.13, Elements in Organisational Structure that Hinder Flow of Information]. This agrees with findings by McNally & Eng (1980, p. 150) from data collected from New Zealand companies, showing that companies which use more sophisticated MA and decision-making techniques outperform those which failed to adopt them.

Exhibit 4.23, The Role of MAS in Enhancing OE, shows the performance of a Jordanian commercial bank (B) implementing an MAS providing some the information needed by the users of MAS, and pushing managers by use of budgets and controlling performance closely to provide the organisation with a steady rate of growth. But a point will be reached where the benefits of the implemented elements of MAS will stop providing the big push experienced when the system was first introduced. The performance of organisation (B) would then reach a plateau.

This does not imply that performance on the financial indicators would not grow, but that the rate of growth that will be achieved will be substantially slower. The partial implementation of MAS could not provide support to PB to achieve its potential and continue to show the high rates of growth seen in 1998 [Exhibit 4.10, Deficient Information Circle].

Exhibit 4.23
Role of MAS in Enhancing OE in JCB

Jordanian commercial bank (A) contribution of MAS to enhancing OE

Jordanian commercial bank (B) limited achievement in OE
through inadequate use of MAS, other matters being equal

255 A
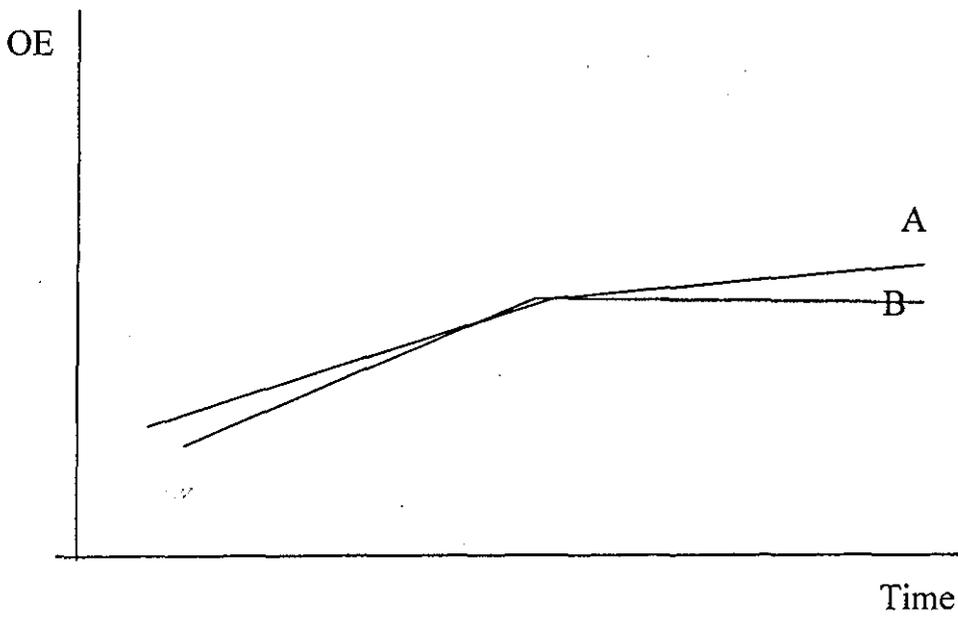
The improvement which PB management introduced to the MAS produced tangible results most prominently in control areas. The improvement in MAS was reflected along with other factors in the organisation as the restructuring stage involved not only MAS, but also a number of factors such as other information systems in PB as well as recruiting new managers.

Case studies cannot be used as laboratory experiments where all variables can be controlled and the effects of certain variables isolated when results are measured [see Section 2.2.1, The Phoenix Bank Case Study – Research Method 1]. However, in 1999 as the same managers continued to work at PB and the other changes introduced in the form of rationalising expenses by merging some branches and reorganising others, as well as increasing the capital of PB by JD 10 million, the same upsurge seen in 1998 did not continue in 1999 in terms of growth in deposits, assets, credit facilities, and market share.

One explanation offered here is the lack of attention given by PB's top management to using MAS in planning and decision-making [see Parts III & V of this chapter), and to further improvement in the use of MAS in control of implementation [see Part IV of this chapter].

Improved planning and control along with giving more care and attention to the other enhancers of goals achievement relating to employees, innovation, and to clients would continue to provide higher growth rates. Attention to other factors that were mentioned by the interviewees as impeding the free flow of information at PB (such as the organisational structure and unclear channels of communication, or enhancing the performance of employees by better selection processes, better training and development and better qualifications) would also result in a higher degree of goal achievement [see discussion in Section 4.10, Diffusion of Information; Section 4.13.2, Factors that Hindered the Use of IT in MAS; Section 4.15.4, Characteristics of Departmental Goals; and Section 4.17, Conflict of Interest in Setting Goals and the Game of Budget Control].

4.24.1   Effects of Change at PB

A matter to which I would like to refer, although it is not part of the research question, but one that surfaced during the data analysis. It concerns the attitude of the interviewees towards the MAS currently applied at PB which was clearly towards change. Only 5 interviewees had a clear positive attitude towards the system and all

were part of the old management team (out of 16 interviewees 8 were already working for PB for many years ranging from 26 years to 6 years before the new management team came). The remaining 11 managers all said that the system needed improvement.

Interviewees from the old management team had a positive attitude towards all topics discussed in the interviews namely: satisfaction with the IT system used (out of four interviewees who were satisfied three were from the old management team); out of eight interviewees who believed that MAS reports they received were useful five were from the old management team; the five interviewees out of six who believed that information was not centralised were from the old management team; four out of the five managers who believed that the organisational structure did not impede the flow of information vertically or laterally were from the old management team. All three managers who said they did not have to chase after information were from the old management team.

This explains and does not contradict what Gordon and Di Tomaso (1992, p. 788) found that previous research has shown that management is considerably more positive about their companies than people at lower levels (Hay Group, 1986), although Gordon & Di Tomaso were referring to upper level management operating in a stable environment and not a not a restructuring stage such as the one at PB.

To explain the positive attitude by managers towards the above-mentioned issues from the old team that was not shared by managers from the new team the following reasons are suggested:

1- **Resistance to change.** This is a phenomenon that has been observed by many researchers. The managers from the old team liked things the way they were and saw no need for the new management team to introduce any changes (Burns & Stalker, 1994, p. 209; Burns & Scapens, 2000, p. 11; Norris, 2000, p. 233; Granlund, 2001, p. 160) [see discussion in Section 3.4, Who Needs to be Involved in MA Change?].Burns & Vaivio (2001, p. 394) provide a convincing explanation of the attitude of the new management team towards the managed and formal change introduced at PB:

> 'In this view, change in management accounting becomes something that has been predetermined by organizational authors. It is designed and carried out in a preordained way. It is actively steered towards an objective, away from potential obstacles. This logic of change grants a key role to the motivated actors who initiate and take responsibility for transformation in the management accounting craft'.

Burns & Stalker (1994, p. 127) describe change at the Scottish firms in their study which were facing environmental change in competition and technology and market:

> 'No such change of systems was visible in any of the Scottish firms. Instead, strenuous efforts were made to maintain the mechanistic system or to impose it more stringently than had previously been the case'.

One of the reasons Burns & Stalker (1994, p. 100) give for resistance to change was 'the attachment of a person to the position he holds...enduring after the need has arisen for some change in the character of the position or its location in the structure'.

Abernethy & Brownell (1999, p. 189) explored the role of budgets in organisations facing strategic change and concluded from an empirical study on hospitals in Australia that organisations undergoing strategic change need to use budgets interactively and not solely for setting goals and measuring variances i.e. diagnostically. They also theorised that 'the relation between strategic change and performance will be moderated by the extent to which budgets are used interactively' (Abernethy & Brownell, 1999, p. 193). Abernethy & Brownell's observations are confirmed in the observation at PB in the way budgets and budgetary control are used and how PB interviewees criticised them [see more discussion in Section 4.16.1, Budgetary Control of Branches at PB; Section 4.17, Conflict of Interest in Setting Goals and the Game of the Budget Control at PB; and section 4.18, Role of MAS in Providing in formation on Performance Evaluation at PB]

2- Internal politics reasons. The old management team was well-entrenched in its position and wanted to protect its achievements.

3- Feeling of insecurity. The old management team did not want to criticise and speak against any new changes introduced by the new management and where not certain how introduced changes would affect it, whereas the new management team has joined in the first place to introduce change in an effort to improve existing situation so they did not feel they should be satisfied with the current MAS.

Burns & Scapens (2000, pp. 11, 12, 13, 19, 23) agree that introducing change to institutionalised or culturally dictated practices could be faced with resistance ~

258

particularly if the change challenges existing ones. Burns & Scapens continue to say that change 'involves much more than a knowledge of the formal systems; it requires an understanding of the habits of organizational members', the role of power, the ways of thinking i.e. informal change, and the underpinning assumptions which are taken-for-granted in day-to-day activity'. On this Burns & Stalker (1994, p. 192) explain that a threat from change is felt by managers not only by the intrusion of new kinds of tasks and new kinds of resources, or even by the recruitment of 'new kinds of people, but by clothing them in new institutionalised forms, they take on the appearance of a threat to other parts of the existing order, instead of a source of new life'. All this was clearly observed at PB.

4.25 Summary of Chapter 4

Part I of this chapter provided a short historical background of PB, a Jordanian commercial bank that prospered quickly in the first ten years of its foundation in 1978. It then faced serious financial difficulties and was sold in 1993 to new investors. The PB case study was carried out in 1999-2000 after a new management team took over in late 1997. Part I also discusses data collection methods and how data collected from 16 semi-structured interviews was analysed.

Part II discusses availability of information and tries to explain the requisite of information needs that PB's senior management needed to have in order to enhance the achievement of corporate goals and subsequently OE. It discusses the needs of information for setting goals that are influenced - as explained by the interviewees - by economic, political, and competition factors. The availability of information on two other factors related to the goals of PB and the measures used in the research design (i.e. customers' and employees' satisfaction) was not evaluated systematically and found to be lacking. This resulted in each manager having her/his own interpretation of customer satisfaction and needs.

In the discussion it was explained that a number of problems were faced in achieving a higher degree of corporate goals. These problems were: unavailability and/or insufficient diffusion of information on the external environment and on some factors in the internal environment.

Part II also discusses the characteristics of the design of MAS adopted at PB. It was found that a number of factors affected the design and hampered the operation of

MAS such as the organisational structure, the unclear channels of communication, the unclear responsibilities and authorities of departments, and the design and characteristics of the MAS reports, in addition to the fact that MAS was affected by the partiality of its designers.

The use of IT was discussed also as an important factor that shapes the design and operation of MAS, as well as being shaped by it. It was found that the capabilities of the IT system were not effectively utilised, but mainly used as a data processor.

As a result, planning by top management and the subsequent marshalling of resources for PB was not able to enhance the OE of PB to reach its desired levels if not full potential [Part III of the chapter]. A number of reasons were responsible for that:

1- unstable internal and external environments and the unavailability of sufficient information on the external environment;

2- conflicting goals and roles of first level managers;

3- over-emphasis on financial measures and targets and the neglect of non-financial ones;

4- planning did not involve all levels of management.

The case study indicated a lack of clear goals and an absence of plans that cannot be compensated for in seeking effective control. 'Unless plans and goals are effectively determined, controls will be meaningless' (Hughes, 1965, p.95).

Part IV discusses how the enhancement of financial results as an outcome of an emphasis on the control aspect of MAS in PB was realised, although with some gaps - such as not incorporating projected expenses in budgets, and conflict of interest between branch managers and head office, which was not resolved through MAS. Another prominent characteristic of the control system at PB was that it did not cover all departments nor did it cover all areas of activities.

Unclear and inadequate performance evaluation procedures used within the MAS adopted at PB, as well as unsatisfactory non-financial measures and the lack of cross-functional measurements was what characterised measurements used in control. Most of the interviewees felt that the adopted performance measurements were not comprehensive and did not reflect justly their performance. The system as a result of not covering all departments and all areas of activity could not achieve a better co-ordination of the work of managers.

The internal uncertainty coupled with external uncertainty did not constitute a demotivating factor for higher levels of management. This was because of the culture of 'a mission' that prevailed at PB and which motivated the new management team to try and overcome conditions that were not conducive to a smoother working atmosphere.

However, other factors relating to setting-goals, control, performance evaluation and employee satisfaction, and customer satisfaction discussed in Parts II, III and IV did not provide a clear enough direction for managers. This they attempted to resolve through an 'open communication' culture where managers, including the general manager, substituted the role of structural conditions with improvised solutions. This came at the price of consistency.

Nevertheless, OE was enhanced as was observed in the measured financial results. A higher degree of OE, however, could not have been achieved as the other dimensions of the corporate culture (teamwork and collective decision-making and qualifying and training employees) were still not well-rooted at PB.

Part V discusses positive and negative effects of external or social culture in Jordan on planning, performance evaluation and organisational structure. It also discusses the effects of a changing and inconsistent corporate culture on the design and operation of MAS.

SURVEY OF JORDANIAN COMMERCIAL BANKS ON THE ROLE OF MAS IN ENHANCING OE

The chapter follows the same classifications as Chapter 4, Case Study of PB. Part I discusses methodological issues, Part II Availability and Diffusion of Information in JCB, Part III the Role of MAS in Planning and Decision-Making in JCB, Part IV The Role of MAS in Control in JCB, Part V The Internal and External Cultural Effects on MAS in JCB.

Part I   THE SURVEY RESEARCH METHOD

5.1   Aim of the Survey

The survey attempts to refine, amend, or change the initial findings drawn from the PB case study.

5.2   The Survey Population

I chose to investigate JCB in the first place and not foreign banks operating in Jordan as my interest lay in understanding the MAS practices specifically in Jordanian banks.

Secondly, the commercial banks category was chosen because it includes the oldest banks in Jordan such as the Arab Bank founded in 1930, and ranked number five among Arab banks in terms of capital and assets (*Jordan Times*, 29 December 2002, p. 12), the largest banks in terms of profits, market share, and total assets among other measures. On the other hand, commercial banks include the newest and smallest bank, the Export and Finance Bank founded in 1996.

The JCB are all privately owned with the exception of the Export and Finance Bank which has part of its share capital owned by the Jordanian government. Some of the banks have investors from other Arab countries. However, in all cases the majority of shares are held by Jordanians. The management (general managers, and senior managers) of those banks is exclusively Jordanian.

5.3   The Research Question and Method

I used semi-structured interviews to investigate the similarities and differences in the role MAS play in PB and other JCB to enhance OE; how MAS was used in each bank by middle and senior managers; and to what extent MAS served them

in planning, decision-making, and control in order to achieve corporate goals, thereby enhancing OE.

My choice of interviews to look into the case study findings was based on the view that surveys could be used for explanatory as well as descriptive purposes [see discussion in Section 2.2.2, The Survey -Research Method 2], in addition to being 'an excellent vehicle for measuring attitudes and orientations' (Babbie, 1983, p. 204). The survey is to be informed both by a review of extant literature on MAS and OE and the findings of the case study. The use of a survey as a form of field study was 'non-experimental': data was collected through extensive visits that totalled 70 hours of interviewing.

5.4 Limitations of the Survey

This section on the limitations of the survey includes a discussion of the effects of bias on the field data, ethical issues in carrying out the survey, and points on the veracity and reliability of the survey.

5.4.1 Bias

Biases could come from a number of sources. The topics discussed in the questionnaire comprise one of the most likely areas. The issues discussed touch on rather sensitive areas such as management's responsiveness to information needs, management's commitment to providing information, performance appraisal, internal politics, and information gatekeepers. Some interviewees might not have felt comfortable discussing these matters with me as a researcher.

Another possible source of bias could be the extent to which the interviewees had experiential knowledge about the topics the research investigated, and whether the answers provided by the interviewees were based on their direct knowledge and experience.

My presence during the 30 interviews naturally affected to various degrees (which cannot be measured) the managers interviewed, and this is a matter that cannot be avoided when doing personal interviews (Sudman & Bradburn, 1982, p. 6). I tried to mitigate the effect of bias on the interviewees' behaviour and answers when trying to explain a question to an interviewee. As Clandinin & Connelly (1998, p. 165) argue '(t)he way an interviewer acts, questions, and

263
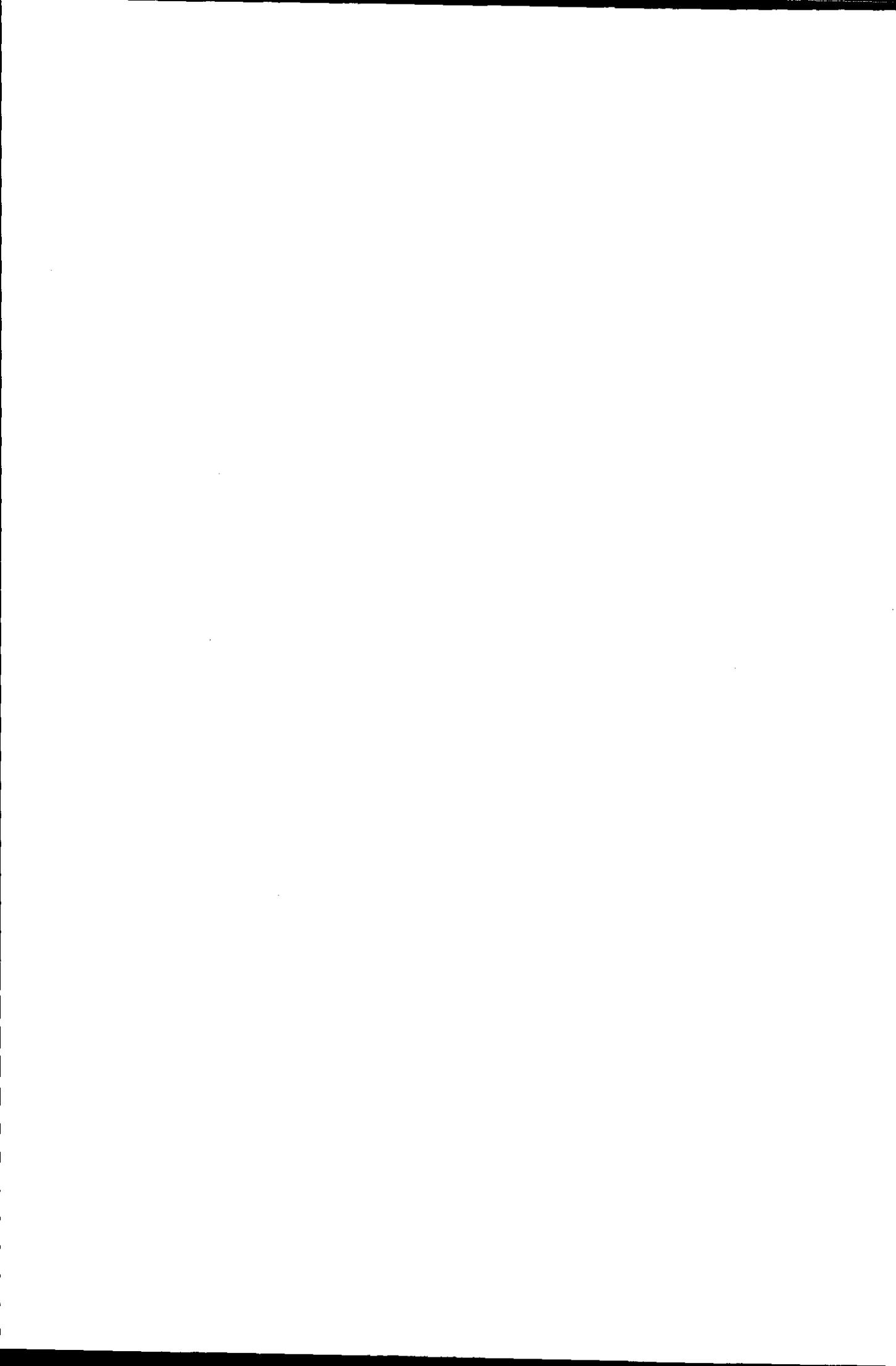
responds in an interview shapes the relationship and, therefore the ways participants respond and give accounts of their experiences'.

When explaining questions I tried not to lead the respondent, but it should be remembered that interaction in interviews is inevitable (Holstein & Gubrium, 1997, p. 113; Potter, 1997, p. 149; Baker, 1997, p. 131). What I tried and hoped for was to keep it to a minimum. I did not allow –to the best I consciously was aware of - the findings of the case study to affect my attitude or intonations on any topic [see more discussion on bias in Section 4.4, Points on Validity and Reliability of the Case Study]. I let the interviewees instruct me and explain the meanings of things and their significance. I only came out of this approach when I felt that an interviewee wanted to know to what extent I appreciated and understood what was being discussed. 'Interviews are conversations where meanings are not only conveyed, but cooperatively built up, received, interpreted and recorded by the interviewer' (Holstein & Gubrium, 1997, p. 119). My presence during the interview could have affected the interviewees in giving favourable answers to reflect a positive picture, or the opposite when an interviewee might want to portray a negative picture if (s)he was on unfavourable terms with his/her seniors (Clandinin & Connelly, 1998, p. 165).

Atkinson & Shaffir (1998, p. 54) identified three facets affecting the relationship between the field researcher and the subject that could help predict the potential effect of the researcher on the subject:

'1. Is the researcher known to all, some or none of the participants?
2. What is known about the researcher's activities?
3. What activities does the researcher undertake and how does that locate him   [sic] within the group under study?'
I looked for biases to isolate them by comparing the answers of the four different interviewees in each bank by examining the coherence and plausibility of their answers [Exhibit 2.6, Data Collection Methods].

Another source might have been my being a female researcher. As it was in the PB case study, being a female researcher did not adversely affect my work in any obvious way. In fact on the whole both female and male managers were, if not cooperative, very cooperative, in terms of giving me time and providing information. I was able to get the information I set out to get and in many instances interviewees volunteered more.

264

The male managers extended a gentleman's help and courtesy, which is the expected attitude in Jordan with its paternalistic culture. Furthermore, their cooperation and interest could have come from my work since accounting is an area mostly dominated by men and might have been unusual for me as a female researcher to be seen to be professionally involved. Nevertheless, if there had been a bias in the reactions and responses of the male managers it was not noticeable. I did not feel that what they said or did relating to the questions asked affected negatively the information collected. On the contrary, I believe it had a positive effect.

When I interviewed female managers [6 out of 30 interviewees], I found that female managers were open with me and a feeling of mutual interest was noticeably present - they for my work and me for their work.

One point raised by Miller & Glassner (1998, p. 101), which I personally found relevant in my interviews was:

> 'The issue of how interviewees respond to us based on who we are -in their lives, as well as the social categories to which we belong, such as age, gender, class, and race- is a practical concern as well as an epistemological or theoretical one'.

I believe that the way I was perceived by the interviewees in terms of age group, class and race helped me in carrying out the interviews.

5.4.2   Ethical Issues

A second limitation I had to face while doing the survey was that relating to ethical issues (Choudhury, 1986, p. 28). This I tried to overcome by uncompromisingly protecting the anonymity of the interviewees and any information or personal views I came to know about during the interviews, such as when, on a number of occasions, I was asked by managers interviewed how their bank compares with other banks or whether other banks have this or that.

Another situation I faced was when I gave the transcripts of the interviews for the ten managers I chose for interviews notes verification. One interviewee said, *'I agree with almost all of what is in the interview transcript, but tell me who will read this transcript?'* when I emphatically said that no one other my supervisor can have access to the interviews transcript, he said, *'I sure do hope so as I have been burned previously by researchers who would make what I said available to my superiors'.*

I was also very careful in passing any information from one bank to the other, as some were direct competitors. When I found myself in a situation where I was asked by a certain bank manager about my interviews with his/her competitors, I gently but clearly said that I cannot as a matter of principle and in the interest of all banks involved share any information I obtained through my interviews since else how can I protect the anonymity of everyone, including the enquirer?

Whenever an interviewee would say 'this is off the record', what (s)he told me was not mentioned in the transcript. Nevertheless, what was said naturally added to my understanding of the topic discussed and influenced my interpretation.

On the other hand, I tried to follow the highest degree of honesty and included in the transcripts what was actually said by interviewees. One other matter that is likely to occur while collecting data is the bits of professional gossip that I would hear during my interviewees. It can be helpful if used wisely in understanding what was going on and why, but not to be shared with others.

5.4.3   Points on the Veracity and Reliability of the Survey

I gave due care to enhance the **veracity of the data** through using follow-up meetings and carrying out corrections and verifications of interviews notes. Personal experiences in qualitative research should not be dismissed as ' from field text to research text: the task is to discover and construct meaning in those texts...the search for these patterns, narrative threads, tensions, and themes that constitutes the inquiry that shapes field texts into research texts is created by the writer's experience' (Clandinin & Connelly, 1998, pp. 170-171). Silverman (1998, p. 240) quotes Polyani (1964) in that, in qualitative research 'comprehension is neither an arbitrary act nor a passive experience, but a responsible act claiming universal validity'. Throughout I worked on achieving veracity through a careful step-by-step linking of interpretations, conclusions, and findings to collected data.

The **validity of research** as seen by Peräkylä (1997, p. 207) 'concerns the interpretation of observation'. He suggests that this can be reached through transparency of analytic claims (apparent validity) and through examining deviant case analysis after having established a pattern (Peräkylä, 1997, pp. 209, 210).

The interview guide [Appendix 3] used provided content validity when the collected data provided satisfactory answers to the role of MAS in planning, decision-making and control. Through the data collected from the experiences of 30 different interviewees I tried to establish a chain of evidence referred to by Miles and Huberman (1994, p. 261) as "enumerative induction", where a number and variety of pieces of information and conveyed experiences all go in the same direction.

To increase the **replicability of the findings,** I prepared a plan before embarking on the survey that included who and how to contact and establish relations with the managements of the commercial banks.

I prepared an interview guide and planned how it would be tested, names of who will be interviewed in each bank, and a framework for data analysis which include preparing the matrix sheets and the layout of the different sheets for data analysis.

I developed a database prior to and during the survey that included the population, the interview guide, the functions targeted, interview transcripts, and a data analysis plan (Yin, 1994, p. 95; Slagmulder, 1997, p. 108).

To increase the **reliability of the survey** the findings from the case study were the centre of the survey investigation. They were also the basis for the survey interview guide.

As Peräkylä (1997, p. 206) mentions, 'the key aspects of reliability involve selection of what is recorded, the technical quality of recordings and the adequacy of the transcripts'. I started by checking ten transcripts with the interviewees and asked them to review them and see whether what was written truly reflected their opinions. The answers were very encouraging as only two questions out of 460 questions needed to be amended in a way that changed the meaning. With such encouraging results I felt that I could endorse the transcripts without a need for further checking.

As much as was possible I tried to maintain the comparability and consistency across the 30 interviews, which was a big help at the data analysis stage. I interviewed four managers from each bank, and targeted the same four functions in all banks. Two of the interviewees were in charge of both the financial department and developing deposits, which resulted in 30 and not 32 interviewees. To achieve the same objective with all interviewees I used the same

technique for interviewing and offering explanations or prompts during interviews.

I did a triangulation of the answers of the interviewees in each bank and prepared a summary of their answers to reflect agreements or disagreements [Exhibit 5.1, Entering and Summarising Survey Data]. Those summaries provided me with confidence as the answers of the managers interviewed would agree much more than they disagreed in questions that asked them to describe actual processes or practices, as well as reflecting on the different personal attitudes and perceptions of managers coming from different perspectives.

One limitation of the survey was that the collection of data did not involve any prolonged direct observations of the banks' MAS – as was done in the case study. The analysed data was to a large degree compiled from the 30 managers interviewed whether as collectors of information, influencers, or users.

A further limitation was that the notes I took down could not capture the whole content of the interview in spite of the care given to taking notes (McKinnon, 1988, p. 46). I tried to add some of the missing bits back when transcribing the interviews. I was able to remember some parts of the conversation or answers stimulating my memory when transcribing and reviewing my field notes (Miles & Huberman, p. 51). However, I could not add the silences, facial expressions, intonations, or body language which I encountered.

5.5   Survey Data Collection

Similar methods of data collection were used as in the PB case study [Exhibit 2.6, Data Collection Methods] and these are discussed below.

5.5.1   Letters of Introduction

I initiated contact with the first bank through personal acquaintances who put me in contact with the head of the Research and Training Department who arranged interviews 5, 6, 7, and 8. I approached other banks also through acquaintances or through the Research and Training or Human Resources managers at the banks who would arrange my meetings. Alternatively, I was provided with the names and telephone numbers to make my own contacts and appointments. After the first couple of banks it became much easier as my subsequent interviewees felt more at ease knowing I had already interviewed at such and such a bank such and

Exhibit 5.1
Entering and Summarising Data

Interviews transcripts

Entering data in matrix sheets per bank

Entering data in matrix sheets per function

Summary of each bank

Summary of all interviews

Summary of each function
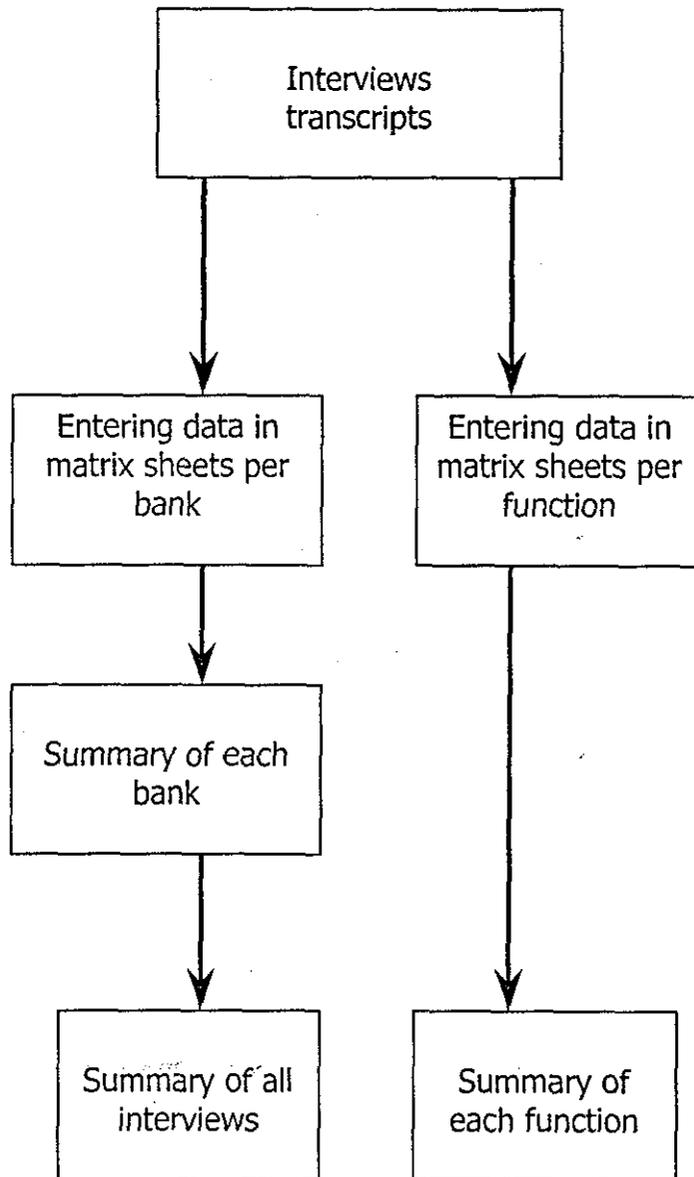
such managers, particularly when the names were those of familiar senior managers.

Before visiting an interviewee I used the same means of introduction I had previously used in the case study interviews. I sent a fax to the manager I planned to interview introducing myself and the objective of the research. The introduction letter included also more information such as what sort of questions will be asked, and what topics will be discussed, and confirming the time and date of the interview [see Appendix 1].

5.5.2 The Survey Interviews

All data was collected through personal semi-structured interviews. The interviews gave me not only the opportunity to get the answers directly and without leaving any questions unanswered, but also the opportunity to explain issues that otherwise might have been unclear to the interviewees. They also provided an opportunity to observe the work place.

Personal interviews helped, via the open-ended questions to ask further and probe for more relevant information (Strauss & Corbin, 1998, p. 281) and look for possible links between MAS on OE.

In the survey interviews I noticed what I had previously noticed in the case study interviews namely, that not all managers seemed familiar with the term MAS. To give an example, on one of my visits to interview a credit manager (who asked his assistant to be present in the interview to assist him in answering my questions- as I was told), a senior deputy general manager and a well-known and respected figure in the banking community, walked in. When he asked what the research was about. I explained the title of my research to which he answered very confidently, "you should be visiting factories instead of banks, my advice to you is to choose two factories in Jordan for your research".

This being the case I had to be more careful, and sensitive to the interviewees. I tried to put the interviewee at ease first and start gradually with explaining *en passant* what I meant by the external environment in question 1 and not -for example- ask 'what the external environment meant to him/her?' I also moved from the more obvious questions (such as question 1 that asks about whether (s)he needs information on the external environment), to questions that needed more personal input and analysis such as question 17 which asks about elements

in the organisation which the interviewee finds necessary for the smooth flow of information [see Survey Interview Guide, Appendix 3].

I believe that if I had not paid attention to the sequence of the questions I would not have got the information which I did. I feel that they would have found the topics discussed in the questionnaire intimidating and need a good deal of input of knowledge, experience and openness.

All interviews were held in the managers' offices during working hours apart from interviews 5 and 1. In interview 5 both the interviewee and I realised that there was no way we could finish the interview with the continuous interruptions of clients and employees so we moved to another room away from the reach of clients since, according to the custom in Jordan, clients can walk into the offices of branch managers without a prior appointment.

I preferred to do the interviews in the interviewees' offices during working hours, as artfully described by Baker (1997, p. 131) 'interviewing in which the interviewer, and later the analyst investigate 'interiors' (states of the mind) or 'exteriors' (descriptions of social settings) through a representational view of the language'. It gave me a feeling of the place and a sense of the atmosphere. I observed each interviewed manager's behaviour, and how (s)he did his/her work, how much pressure (s)he had to deal with, and the sort of matters brought to his/her attention by employees and clients. It gave me the opportunity to observe how his/her staff interacted, not forgetting the short or at times longer chats with the staff while I waited for my appointments. I always made it a point to chat with secretaries or assistants of the interviewees about their work experiences.

The personal interviews gave the opportunity to gain a better understanding of the meaning 'through nonverbal, usually non-linear, and 'invisible' features of context, often commonsensically referred to as tone, emotion, history, or experience' (Altheide & Johnson, 1998, p. 307).

All this provided me with an excellent opportunity to later interpret what was being discussed in terms of control, bureaucracy, and the kind of responsibilities the interviewed managers carried.

> 'interviewing or intense field observation [...are...] the only methods of data collection sensitive enough to capture the nuances of human living' (Strauss & Corbin, 1998, p. 28).

270

It could be argued that all this is subjective and personal. However, when one walks into an office there are things absorbed by an interviewer that verbal answers might not show.

In one of my interviews, for example, when I visited a credit manager for the second time to ask him to clarify some unclear answers and get answers for a question or two that I missed in our first meeting, I found that he had moved his desk from its former place, which overlooked a wonderful view of Amman. I could not help commenting about the change; he said that now he had his desk facing the glass partition that divided his office from the credit officers in the hall so he could know what was going on out there. This attracted my attention and a number of questions came to my mind as to why he felt that continuous visual control of his staff was necessary.

I did the interviews between July 2001 – August 2002. Interviews ranged from 1 hour and 15 minutes to 3 hours and 45 minutes, which is actual interviewing time including first interview and follow-up. The average interview time was 2 hours and 18 minutes spent with each interviewee. But these times do not indicate the actual time I spent with the interviewee, which would be much longer as, for example, in one case the actual interview time was 3 hours and 40 minutes whereas the time I spent was more than 6 hours looking at all sorts of reports, interruptions from staff, and then I was taken to the video room to see video tapes showing the marketing efforts of the bank.

There was no marked difference between the lengths of the average interview time for each of the credit managers and the branch managers (131 and 130 minutes). The longest interviews were with the deposit managers (average of 166 minutes). The shortest average interview time was with the financial managers (121 minutes). These average interview times might shed some light on the differences among the four functions that was clear in their answers as discussed in the data analysis.

I met all of the interviewees for a second visit, except for four interviewees where the unclear answers were very few in number and were answered over the telephone. Apart from those, I visited all of the other 26 managers for a second round of meetings to get clarifications on unclear answers, or answers that showed that the interviewee did not understand the question sufficiently or

271

digressed, or answers that did not seem to be in agreement with other answers in the interview.

Out of the 30 interviews I had verifications of the interview transcripts [written in English] by ten of the interviewed managers [Exhibit 5.2 Table of Survey Interviews]. I chose those ten interviews in particular as they had a better command of English than the others to start with and, depending on the outcome, I would have done more verifications.

The result of checking the answers was very reassuring in that, out of the 10 transcripts each containing 46 questions, only 4 questions needed changing in a way that affected the meaning of the answer altogether. Those were questions in interview 6 and 20.

5.5.3   The Survey Interview Guide

The questions were set to address the case study findings such as those in Exhibit 4.13, Elements in Organisational Structure that Hinder the Flow of Information; Exhibit 4.14, Factors Affecting Design of MAS; and Exhibit 4.11, The Role of MAS in Control among other issues.

The questions used in the interviews were carefully prepared to achieve a good focus on the topics decided on prior to undertaking the survey. The interview guide was prepared in a way to avoid leading questions, and to ensure the clarity of the questions to the interviewees. I asked mangers about their personal opinions, as I did in the case study. However, once again my underlying interest was to know how MAS worked within each bank and not to emphasise subjective experience.

To assure as much as possible the appropriateness of the interview guide I piloted it on two branch managers of PB – other than the branch managers interviewed in the case study. The results of the testing were encouraging and a few amendments -mainly changing the spacing left to write down the interviewees' answers- were introduced to the interview guide.

The interview guide not only contained questions on 'who, what, where, how many, and how much' to explain contemporary events (Yin, 1994, p. 6) but I tried to complement it by adding a number of 'why' questions.

The 'why' questions were set not only to investigate the operation of the system but also to 'study the conditions and consequences of actual practices' (Roberts

Exhibit 5.2
Table of Survey Interviews

No.		Title of the Interviewee	Checked	Duration
1		Financial Department Manager		75 mins
2		Executive Branch Manager		105
3		Manager – Liabilities Development and Management		220
4		Manager – Credit Department	Y	135
5		Deputy Branch Manager		180
6		Small Business Unit Manager (credit)	Y	170
7		Assistant General Manager / Retail		225
8		Assistant General Manager / Finance		160
9		Senior Manager Local Operations and Financial Control Department		80
10		Marketing Department Manager	Y	180
11		Manager – Credit Follow Up and Remedial Loans Unit	Y	145
12		Branch Manager		95
13		Assistant General Manager / Credit		90
14		Branch Manager		130
15		Financial Controller	Y	125
16		Manager and assistant manager / Treasury Department		110
17		Executive Manager / Finance	Y	170
18		Branch Manager	Y	
19		Assistant Credit Manager		120
20		Assistant Manager of Research and Financial Planning Department	Y	120
21		Manager – Credit Facilities & Control	.	65
22		Manager – Jordan Branches (deposits)		160
23		Assistant Branch Manager		170
24		Financial Controller	Y	155
25		AGM Corporate and Trade Finance		140
26		Branch Manager		95
27		Assistant Manager – Savings Accounts		90
28		Branch Manager		130
29		Manager – Corporate Credit	Y	185
30		Financial Department Manager		80
		Average interview duration		138

272 A

& Scapens, 1985, p. 447), and to learn something about the interviewee's level of information (Khan & Cannell, 1957, p. 135).

In line with the choice of a case study method for the research, and to go beyond the classifications that closed questions provide (Kahn & Cannell, 1957, p. 135), the interview guide used in the survey had, out of 46 questions, 30 open-ended questions (such as questions 3,6,7,8...). It also contained questions that were answered with a yes or no, (such as questions 12, 25,36...), and questions that asked the interviewee to choose from a number of choices (as in questions 19,23, 41...).

Close-ended questions were used to measure attitudes towards certain issues. Funnel sequence from the most general to restricted questions was also used (in questions 15 and 16, 17 and 18...). 'The funnel sequence is specially useful when one wants to ascertain from the first open questions something about the respondent's frame of reference' (Khan & Cannell, 1957, p. 159).

The last two questions in the interview guide were set to address some aspects of the cultural influence on work procedures in the eight banks because the case study findings pointed to that direction. Social culture's influence was mentioned in relation of a number of issues in the case study interviews and the survey interviews. Notwithstanding, I decided to exclude those two questions from the data analysis. The reasons as I see them are:

(1)   the cultural impact on business life and practice is so subtle and complex that in no way can I get deep insights in a couple of questions.

(2)   I also did not want to digress from the research question, and get deeper into how culture influences and shapes the business community although I believe it is a very important topic and worth researching.

The answers to the open-ended questions were transcribed verbatim. I did not use tape recorders as this would have made some of those interviewed feel uneasy. From my previous experience in the case study investigation and later in the survey, some managers felt uneasy about recording the interview, as they were not sure how I was going to use the tapes. On a number of occasions I had the feelings that they thought I was doing it for some purpose other than my thesis. Some respondents were uneasy with the checking of the transcripts, as most of them did not have previous experience with interviews for research of such a scope and consequently the need for verification. For the questions that gave the

interviewees a choice, I typed the choices on separate sheets so that the managers could read them carefully and make their choices.

The interviews were mainly conducted in Arabic with some terms and expressions in English. After taking down notes in Arabic during the first interview I found out that it was much easier for me to ask the questions in Arabic and write down the answers directly in English rather than transcribe the whole interview in Arabic and then translate it to English.

5.6 Sources of Data

In each bank I did four interviews which served two purposes: firstly, to collect data from different sources (Slagmulder, 1997, p. 107) for triangulation purposes; secondly, each interviewee represented a different perspective, which gave richness and density to the topic discussed.

As planned in the research framework [Exhibit 2.6, Data Collection Methods] the sources of data are: the users of MAS reports (the branch managers and the credit managers); the collectors of information (the financial managers or financial controllers); and the movers (the assistant general managers or financial planners). The latter two are also users of MAS reports.

Not all interviewees were of the same hierarchical position. The interviewees included four deputy/assistant general managers, three executive managers, seventeen managers who were heads of their departments/branches, three assistant departmental managers, and three sub-department managers such as a manager in charge of corporate credit within the credit department [Exhibit 5.3, Distribution of Survey Interviews According to Position].

Interviewing managers of different hierarchical positions provided me with the opportunity to observe how their situations in terms of planning and decision-making differed. For example, when I asked one of the deputy general managers whether he faced any problems with communications channels, he said 'as a deputy general manager I do not face any but I am sure my staff face such problems'. So, meeting other levels of managers in the same bank gave me a better understanding of the design and operation of the MAS.

Exhibit 5.3
Distribution of Survey Interviwees According to Position

assistant general
managers 13%

Sub-department
managers 17%

assistant department
managers 17%

department
managers
53%
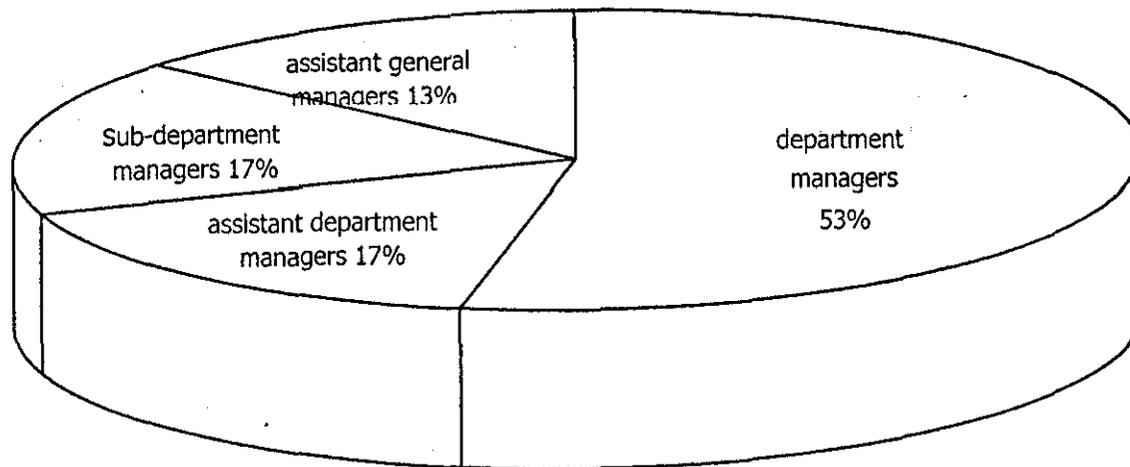
☐ Managers
☐ assistant department managers
☐ sub-department managers
☐ assistant general managers

274 A

5.6.1 Branch Managers

Branch managers as users of MAS hold a sensitive function in a commercial bank. Branch managers are the bank's representatives with whom clients meet and do business. A branch manager represents an advanced feedforward and feedback channel, as well as being in a sense an agent of management, a situation that brings forth an agency theory situation.

The interviews with branch managers totalled 17 hours and 20 minutes (an average of 130 minutes). One of the eight branch managers was the main branch manager. This interview alerted me to the fact that main branch managers are not representative of other branch managers. A main branch manager is usually a senior manager who enjoys both close geographical and personal relations with head office managers and top management. After that one interview, I preferred to meet branch managers other than the main branch manager. In two cases I interviewed the main branch deputy managers, which was more in line with the other interviews as the deputy branch manager expressed his personal beliefs and experience and not that of the branch manager. Not all branches were of the same size: the number of employees in the branches ranged between 7 - 30 employees, larger branches being the main branches.

5.6.2 Credit Managers

The credit managers are very prominent users of information given the role they play in a commercial bank. Credit is a core function of the bank, as well as the profit centre that earns the biggest percentage of a Jordanian commercial bank's profits.

A further point is that the credit facilities function in all the nine banks was centralised in a central credit department at the head office. Some of the banks gave authority to the branch managers to grant credit to customers within certain limits while some gave none.

5.6.3 Deposit Managers

The third function that was targeted by the survey was deposit managers. This choice reflects two things: the importance of deposits to banks, and the important relationship and coordination between deposits and credit. A total of 22 hours

and 8 minutes of interviewing were spent with deposit managers with an average of 166 minutes per interview.

I interviewed among the eight deposit managers a deputy deposits manager in charge of saving accounts [Exhibit 5.2, Table of Survey Interviews]. In that particular case I chose savings account, as it was the type of deposits the bank was targeting. In two other cases I interviewed managers whose work responsibilities affected deposits in the banks either because they decided the rates of interest or they decided which types of deposits the bank emphasised. Interview 16 was with a treasury manager and assistant manager –who had a role in deciding on deposits' interest rates- after all my efforts and persistence failed to allow me to meet with the manager of the Branches Management department who was in charge of deposits. I was later told by a colleague that he belonged to the old generation of managers in the bank and, as a result of the changes the bank was undergoing, talking to me would make him feel uncomfortable.

In another case, after meeting with another bank's manager of the branches department, (s)he felt I should meet with the marketing manager (interview 10) as (s)he could provide me with better information on the bank's efforts in planning deposits and the type of deposits the bank's management was seeking.

5.6.4 Financial Managers

The fourth function targeted was financial managers who were compilers and users of information. In some of the banks, financial managers were also financial controllers and budgets and budgetary control were part of their responsibilities. There was one case where the department responsible for financial planning and budgetary control for the entire bank's national and international planning was separate from the financial department. The interviews took 16 hours and 8 minutes with an average of 121 minutes per interview.

5.7 The Survey Sample

The sample chosen for the survey was a judgmental sample in the sense that the functions were decided on as the most appropriate in which to interview before interviewing began. However, in the cases where I did not get to interview the head of the department, I interviewed one of the available deputies. I did not

have any prior decision as to the choice of which branch manager to interview but whoever's schedule permitted him/her to meet me.

The sample included 24 men and six women; which reflected the very small number of woman in managerial positions in JCB. This was also the case in the case study: the percentage of women in managerial positions was 25% and, as it was with the case study, the women managers in the survey sample were all outspoken and raised what they thought were difficulties they faced at work, which they related as a direct result of top management culture's and attitudes.

5.8   Survey Data Analysis

In analysing the data I used a number of techniques. I started with examining the data collected from all 30 interviews, and rereading the interview transcripts to help gain an understanding and some deeper insight. Then I entered the collected data in matrices to get it in a manageable form, as dealing with so complex and large volume of data can be overwhelming.

5.8.1   Matrices

I used the matrices for examining, categorizing, tabulating, and recombining the evidence to address the case study findings (Yin, 1994, p. 102). Matrices helped in displaying data, ordering and rating (Strauss & Corbin, 1998, p. 15), and compressing it, thereby permitting the drawing of conclusions (Miles & Huberman, 1994, p.141).

The summarising and coding of data in matrices was a step-by-step process so as not to lose or incorrectly code data. A good place to start from was to enter the responses of each interviewee in each bank a matrix, then a summary of the four interviews for each bank, then for each function and lastly for all banks, and then collated them in four booklets for ease of reference [Exhibit 5.1, Entering & Summarising Data].

The first booklet had eight matrices - one for each bank in the survey population. Each matrix was made up of four columns for the four interviews in each bank, and 46 rows for each question in the questionnaire [see a specimen of a matrix used in the survey in Appendix 5]. This provided me with a quick summary of all transcripts in examining the field data. It gave an excellent opportunity to look for answers that seemed unusual, unaccounted for, and out of line with the data

from the other interviews at the same bank. In such situations I checked with the respondents and/or tried to understand the reasons behind them.

A second booklet of matrices contained the eight matrices for each bank. Each matrix had one column and 46 rows summarising the data of the four interviews in each bank into one. This provided me with some indicators on the corporate culture, type of administration, top management and staff attitudes.

In the third booklet, I entered the data once again in another matrix where the columns showed the four functions, i.e. deposit, credit, branch, and financial function while the rows stayed the same. The data showed the four functional perspectives in its detailed form. The matrices prepared according to each of the four functions, helped in identifying any differences between the needs and/or the perceptions of managers in each function.

The fourth and last booklet had two matrices: one for a summary of all of the 30 interviews with one column and 46 rows to match the number of questions; and the other matrix containing a summary of each of the four functions summarised from the first booklet of the eight banks' matrices.

As a result I could use data from the four booklets both in its summarised and detailed form as I was going back and forth among the matrices during the analysis stage.

It is true that the survey investigation is of a qualitative nature, but still I felt this last matrix would be helpful in giving some quantification of qualitative data, and in providing a description of the general attitudes expressed in the 30 interviews. The summarisation of all interviews was also helpful in highlighting trends and in showing which categories and functions differed from the general trend as well as comparing it to PB where the managers interviewed included all departmental managers.

As it was with the case study, I would start from the field findings i.e. from the data to the concepts. Doing this helped in (a) establishing the discrete findings, (b) relating findings to each other, (c) and identifying patterns (Miles & Huberman, 1994, p. 262; Babbie, 1983, p. 408).

5.8.2 Memos and Diagrams

While examining the interview notes in order to enter the data in the matrices, I prepared memos [see a specimen of a memo in Appendix 6], each dealing with a certain topic, such as external information, communication, computers,

budgets…and wrote down quotations from the transcripts to be used later as an example of what I would discuss, and to convey to the reader a feeling of what the interviews and the interviewees were like [Exhibit 5.4 Data Analysis Framework].

I used diagrams and tables to explain concepts and processes in a summarised and concise way. Some of the diagrams I created while examining the transcripts [for example, Exhibit 5.1, Entering & Summarising Survey Data; Exhibit 5.4, Survey Data Analysis Framework], others later on while writing the report [for example Exhibit 5.5, Elements in Organisational Structure for Enhancing the Role of MAS in Enhancing OE; and Exhibit 5.6 Effects of Social Culture on Planning and Decision-Making in JCB].

Writing memos and drawing diagrams helped me in distancing myself from the data collected and its individuality. Writing memos was also a tool in developing the findings (Strauss & Corbin, 1998, pp. 218, 223). The matrices, memos, documentation, and diagrams helped in building understanding either by adding, developing, or refuting the case study findings (Yin, 1994 p. 110).

In the analysis of collected data that follows, I documented the findings and carried out a quick comparison with PB findings and with other researchers' work hoping this would help to highlight even further similarities or otherwise, keeping in mind that the work of other researchers was undertaken in a different cultural context. I tried to add meaning and significance to the data when analysing it by commenting on answers and using quotations to explain my comments. I looked for relationships and patterns and linkages among the survey descriptive field data (Patton, 1980, p. 268), not forgetting to mention the never-ending cycle of writing, editing and rewriting which, in addition to improving the quality of the text, also helped as a way of 'knowing, discovery and analysis' (Richardson, 1998, p. 345). In the analysis stage the researcher's bias cannot be ignored as in data collection. After doing the case study, those conclusions and concepts with which I came out must have been present in my subconscious. I tried to escape that by keeping a clear documented trail of data, and while analysing the data I kept an open mind with regard to different interpretations, conclusions which came out from the analysis. What I constantly wanted to achieve was interpreting and conveying what I saw and heard.

Exhibit 5.4
Survey Data Analysis Framework
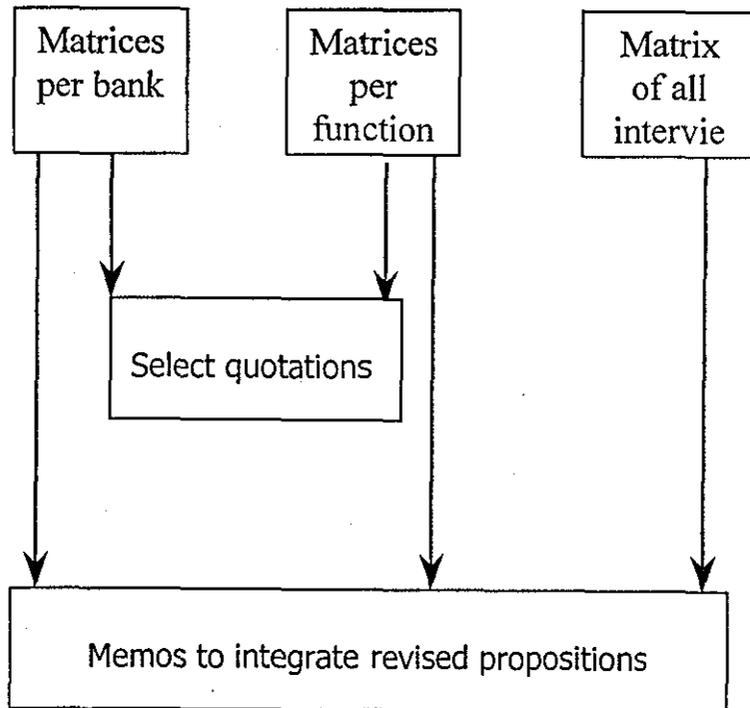
Matrices per bank	Matrices per function	Matrix of all intervie

Select quotations

Memos to integrate revised propositions

Exhibit 5.5

Elements in Organisational Structure in Enhancing the Role of MAS in Enhancing OE in Jordanian JCB

Elements decisive to enhancing theflow
of information within an organisational
structure:
1. Stable and well-defined responsibilities
   and authorities
2. Clear communication channels
3. Structure for coordination among managers
4. Departments with specialised functions
5. Clear work procedures
6. Decentralisation of authority and information
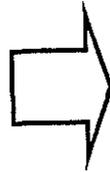
1- Enhance flow of information
2- Enhance communication
3- Enhance coordination

Improve planning, decision-making, and control
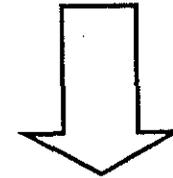
Enhance effective and efficient performance
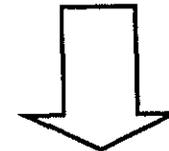
Enhance OE

279 B

Exhibit 5.6 Effects of Social Culture on Planning and Decision-Making in Jordanian Commercial Banks

High power distance culture → [1] Lower level of interaction and iteration in planning and decision-making
[2] Conflict of department/branch with corporate goals
[3] Conflict of individual goals with department/branch goals
[4] More 'restricted information' → Less effective planning → Diminishing role of MAS in enhancing OE

Deterministic culture → [1] Lesser attention to planning

[2] Lesser attention to forward-looking MAS reports

279 C
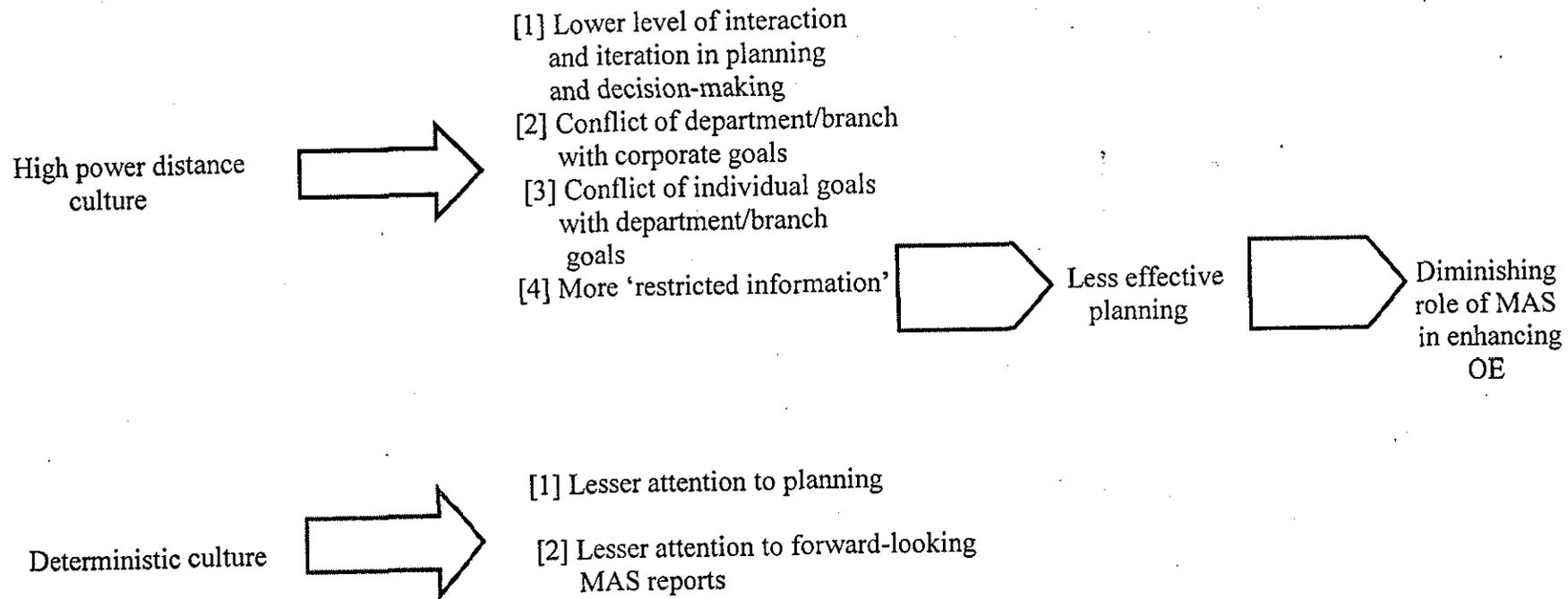
Part II   INFORMATION NEEDS IN JORDANIAN COMMERCIAL BANKS

5.9   Availability and Diffusion of Information in JCB

5.9.1   Goal-Setting in JCB

As discussed in the case study, MAS on the one hand plays a role in providing management with information that can be of help in the goal-setting process, and in goal achievement [see discussion in Section 4.15.2, Corporate Goals of PB]. On the other hand, I have used goal achievement as one way of measuring OE [see more in Section 3.22, Criteria for Assessing OE; Section 3.24, The Goal Model in Evaluating OE; and Section 4.6, Analysis of Collected Data from PB].

When the respondents were asked how corporate goals were communicated to them (Q 28) answers such as the following:

'In quarterly meetings with top head office managers but not in a planned way...goals would be mentioned in passing' (interview 12).
As to setting their own goals some of the answers given were:

'I was not consulted in setting the goals of the department... but I try to work and follow the team' (interview 19).

'We get our targets from head office' (interview 28).

'The financial analysis and control department sets future plans for the bank' (interview 30).
Looking at the summary matrix of each bank in the population we find that 15 interviewees out of the 30 came to know about corporate goals either through a circular sent by top management, or during an annual, or quarterly meeting organised to discuss with either head office departmental managers, or branch managers their budgets or at times not at all:

'I do not know what the corporate goals may be my boss knows about them...I am only informed of my departmental goals' (interview 29).
And
'Top management is not really clear about what they want' (interview 15).
We should keep in mind that, among the other 15 interviewees or the 50% there were four assistant /deputy general managers who would be directly involved in the setting of corporate goals [Exhibit 5.3, Distribution of interviewees]. Knowing that, their bias on the population should be kept on mind. This on its own would not affect the confidence in the data as discovering outlying cases, referred to as 'negative cases', enhances explanation building (Strauss & Corbin, 1998, p. 160), and helps in getting some insight into top management's beliefs and attitudes as to who needs to be told and who does not.

When the interviewees were asked whether a conflict existed between achieving their departmental /branch goals and corporate goals (Q 29), 18 out of 30 respondents said that there was no conflict between achieving both. However, out of those 18 respondents four said that their departments did not have any goals [Exhibit 5.7, Goal-Setting Process in JCB]. When asked whether their departmental/branch goals corresponded to their individual goals 37% (11 respondents out of 30) said they did not [Exhibit 5.7, Goal-Setting Process in JCB].

The biggest reason (6 out of the 11) for non-correspondence was that they felt they could shoulder, and were looking, for more responsibility. What was said in interview 6 reflects on the goal-setting process:

'I try to let them correspond...but I like a good challenge I look for more responsibility... I seek more responsibility'.

To follow on from this, question 31 asks about how the lack of congruence between departmental/branch goals, individual and corporate goals affected the respondents, and 27% gave effects like: (1) the disagreement demoralised and demotivated them, (2) setting lower targets for themselves. Those effects mentioned by senior managers might have serious effects on performance and OE as commented:

'Top management understanding is very different from mine...this cannot help in achieving corporate goals' (interview 10).

Exhibit 5.7
Goal-Setting Process in JCB

Item (N=30)	DM (n= 8)*	CM (n=8)	FM (n=8)*	BM (n=8)
Informed of corporate goals before preparing their budgets Overall percentage 50%	75%	75%	63%	37%
Conflict exists between department /branch goals and corporate goals Overall percentage 40%	13 %	50%	0%	75%
Disagreement between corporate and departmental/branch goals and personal goals Overall percentage 37%	13 %	63%	50%	63%

DM=deposit managers, CM=credit managers, FM=financial mangers, BM= branch managers

* Throughout the exhibits the answers of the two interviewees who were in charge of both deposits and finance were included under DM and FM for comparability between the functions.

And:

'I know the needs of my customers more than top management...they do not give us sufficient authority to act...no explanations' (interview 28).

The large percentage of 50% of respondents who were not involved in influencing goal setting also shows that the banks' top management exercised a top-down policy in goal-setting [Exhibit 5.7, Goal-Setting Process in JCB].

If we look at the individual functions, **deposit managers**/assistant managers as a single group representing a functional perspective showed more involvement with only 25% of the respondents saying they were not pre-consulted and that their role was restricted to the receiving end.

On the matter of did they think that a conflict existed between departmental and corporate goals, encouraging responses were given to the question as 88% (7 out of a population of 8) negated the existence of such conflict compared to overall percentage of 60% [Exhibit 5.7, Goal-Setting Process in JCB]. One manager said that cooperation within committees ironed out differences in opinions. A second said, *'our department is under the spotlight' (interview 27)* meaning they were continuously followed up by the general manager so there was no scope for a conflict. Other managers said profit sharing plans at their banks made sure the two went together.

The same pattern follows: when they were asked whether their departmental goals corresponded with their individual goals, 7 out of the 8 (88%) respondents answered affirmatively, which is higher than the overall average percentage (63%).

Within the **credit managers**/assistant managers' category, the same pattern as in the deposit managers' group was found (two respondents out of 8 -25%- were informed about the corporate goals through circulars or were not informed).

One of those who was not consulted said:

'I was not consulted in setting the goals of the department...but I try to work and follow the team' (interview 19).

However, on the issue of a conflict arising between achieving corporate and department goals, 50% (4 respondents) thought that there was a conflict or that a conflict arose sometimes. The reason given by these four respondents was that the credit department's goals clash with those of other departments at the bank and its goals might not take priority.

The other noticeable matter about credit managers is that 63% thought that their departmental goals did not correspond with their personal goals compared to an overall percentage of 37%. When asked how this affected their performance, the effects

282

mentioned could be grouped under: (1) feelings of disappointment and frustration, (2) quality and quantity of work dropped as in for example:

'Top management's understanding is very different from mine...this cannot help in achieving corporate goals' (interview 10).

The comparison between the deposit managers and the credit managers is of interest as to why they held different perceptions. Credit facilities departments in a Jordanian commercial bank hold a critical position being the source of largest profits and highest risk. On the other hand, Jordan has been suffering from an economic recession for a number of years [see Section 1.2.6, The Stagnation Years; and Section 1.3, Development of the Banking Sector in Jordan] and granting credit during this recession period has contracted noticeably due to the state of the market, the high lending rates, and the political situation in Palestine.

This might be one explanation for the dissatisfaction among credit managers in general who played a larger role in banking operations in the past.

As for the **financial managers**/financial controllers, the top-bottom pattern was also obvious as 5 out of 8 (63%) financial managers were informed of the goals either by a management letter, or by committee:

'The financial analysis and control department sets future plans for the bank' (interview 30).

Nevertheless, when asked whether a conflict existed between achieving their departmental goals and corporate goals (Q 29), all eight managers said 'No'. However, 37% (3 out of 8 managers) said that their departments did not have goals in the first place, as noted by two financial managers:

'As a cost centre mostly I set goals for my own use.' (interview 1).
And: *'A financial department has no goals on its own.' (interview 8).*

Fifty per cent of the financial managers felt that their departmental goals did not correspond to their individual goals (Q 30), but 7 out of 8 managers said that the lack of correspondence did not affect their performance negatively.

The **branch managers** seemed to show the top-bottom pattern much more clearly compared to the other three functions who were all senior managers. Those who were informed directly by the general manager or assistant manager made up 37 % of the branch managers interviewed. The other branch managers (63%) said they knew about the corporate goals either through a memo or when branch managers received their annual budgets from their managements. Some of the branch managers said they knew about the following year's corporate goals as late as December or even January of the same year.

The branch managers were split in the middle: 50% believed that a conflict exists between achieving corporate and branch goals whilst 25% said that the conflict arises at a client level, which brings the total to 75% of the branch managers /assistant managers who believed that they were not able to achieve their branches' potential because head office saw that as conflicting with the bank's interests:

'...Head office puts obstacles in the way of the growth of my branch...but again I do not have the overall picture' (interview 18).

Once again the pattern seen with credit managers is repeated with branch managers, though for different reasons. This can also be seen in question 30 as 50% also felt that the lack of congruence between their branch goals and their individual goals. A further 12% said that it applied 'to some extent', bringing the total to 62%. As for how the conflict affected them, very similar answers to those given by credit mangers were given by branch managers/deputy managers such as causing demoralisation and demotivation, frustration, setting lower targets for the branch and lower productivity and targets' achievement.

Kaplan & Norton (1996, p. 80) stress congruence between individual efforts and organizational efforts by saying that an awareness of corporate goals is not enough, and that they should be translated into objectives and measures for operating units and individuals.

The above discussion of the different levels of goals reflects on the role of MAS in enhancing OE [see discussion in Section 4.15.2, Corporate Goals of PB]. When departmental/branch goals are not set in 50% of the cases by managers, consequently managers might not be motivated to achieve them for being either too difficult to achieve or inappropriate under the circumstances keeping in mind that the managers interviewed are more in contact with clients than top management.

Chan & Lynn (1993, p. 88) also stress the importance of goal congruence between individual and organisational efforts:

> 'It is critical that an organization's members reach agreement on the goal performance measure link in a participative fashion to ensure congruence between individual efforts and organizational efforts'.

Some of the managers interviewed, as was the case in PB, did not set goals or targets for their departments, especially when their departments were service/supporting departments. In such cases using goals achievement to measure OE would not be applicable, and would not lead to achieving accountability, performance appraisal, and

development of those departments as far as top management is concerned (Wilson & Chua, 1993, p. 65).

Although 50% of those interviewed feel that their departmental goals did not correspond with their individual goals, most of them said that it did not affect their work. Nevertheless, they said it left them demotivated and demoralised. Theories of motivation such as the Human Relations theory stipulate that non-financial incentives, such as participation in goal-setting, play a part in motivating employees to higher achievement levels. The need of employees to achieve self actualisation through achieving their individual goals in addition to departmental goals affects work quantitatively and qualitatively and needs to be incorporated into departmental goals.

5.9.2 Information on the Internal and External Environments in JCB

This sub-section will discuss the quantity, quality and the timing of information made available through MAS reports in order to look at the ability of the current systems to respond to the various needs of decision-makers in JCB.

The questions that addressed availability of information related to factors external and internal to each bank in the population. The questions also examined the current state of availability of information in each bank and what those interviewed felt was missing and why it was needed (i.e. to what use would the unavailable information have been put?)

The aim behind the above is to examine whether the MAS operating in JCB did play a role in planning, decision-making, and control and, if that was the case, then to what extent? It also aims to find out what seemed to be the obstacles from the point of view of the interviewees and from my point of view from the analysis of collected data [Exhibit 4.9, Framework for Analysing the Availability and Diffusion of Information].

5.9.2.1 Information on the External Environment

There was a unanimous agreement among all interviewees that elements of the external environment affect their work and goal achievement regardless of the position they held at their banks, regardless of their function, and regardless of the size or the market share of the bank, and the type of administration a bank had.

This coincides with the case study findings (67% of the 16 managers interviewed in the different departments of PB) and, in particular, the answers from all the managers in charge of similar functions at PB. All 30 interviewees said that they needed reports to

inform them about the external environment of their banks as there was an *'organic link'* (interview 1) between the two:

'We do not exist in a vacuum ...the economic report leads to a management letter which leads to a strategy which leads to a budget... " (interview 8).
Or, as said in interview 15: *'we cannot isolate ourselves from the environment'.*

The interest in the external environment and its changes was of a broad-scope nature: 76% of the interviewees were interested in wide-scope information on the external environment [see Exhibit 2.4, External Factors Affecting Design and Role of MAS]. The other managers (24%) felt that there were few variables in the external environment that interested them.

Taking a closer look at **deposit managers,** 25% chose to be informed of only a few variables. The variables mentioned were economic, political, new government regulations, changes in government policies, public expenditure, and market and banks' financial indicators [Exhibit 5.8, Need for Information on the External Environment in JCB].

Exhibit 5.8
Need for Information on the External Environment in JCB

Item (N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Need reports on the external environment	100%	100%	100%	100%
Wide-scope information more helpful in achieving goals Overall percentage 76%	75%	88%	75%	75%

One **credit manager** out of 8 chose to be informed about only a few variables in the external environment namely competitors, political changes, and clients' portfolios.

This fact reflects the sensitive nature of granting credit, where matters such as credit decisions and a client's ability to pay back can be affected by a wide array of variables, particularly those that have to do with clients' portfolios.

In the case of **financial managers,** 25% choose to be informed of only a few variables in the external environment. The variables they needed for planning, decision-making and control were: market share and the financial position of each bank in Jordan, changes in government regulations, and the economic changes in the external environment.

The same pattern was found with the **branch managers** who were no different from the other functions as 25% branch managers chose to be informed of only a few variables in the external environment rather than wide-scope broad information. The variables that

were mentioned by the branch managers were competition, political changes, and the economy.

We notice from the answers of the respondents [Exhibit 5.8, Need for Information on the External Environment in JCB] that the choice of 76% of interviewees for wide-scope information on the external environment was not linked to a certain function of the JCB. This was also found in the case study on the need for broadening the outlook of managers (Vadenbosch & Huff, 1997, p.83; Pierce & O'Dea, 2003, p. 260) [see discussion in Section 4.7.2.1, Description on the Availability of Information at PB; Section 4.7.2.2, Information on the External Environment; and 4.8, External Environment Factors Affecting Ability to Achieve Goals at PB].

Gordon & Miller (1976, p. 61) quote Mintzberg that one of the existing impediments to managerial use of data gathering in formal information systems is that information is too limited in scope.

To find out why wide-scope information on the external environment was important to the interviewees, I asked them in what ways would they have used the information [Q 3]. The most frequently mentioned uses of external information were:

(1) To help in analysing what went on in the external environment, and an important matter they would have in mind was looking for new markets (mentioned 20 times) [see Exhibit 5.9, Uses of Information on the External Environment].

(2) For setting goals and planning (14 times).

(3) Improving and rationalising decisions (8 times).

Exhibit 5.9
Uses of Information on the External Environment in JCB

	Frequency	Uses
1	20 times	Analysing the external environment / look for new markets
2	14	Setting goals and planning
3	8	Improving decision-making
4	2	Improving customer service

Deposits managers as a group needed information on the external environment for: [1] planning, setting goals, and the need to understand the external environment came at the top of their uses (mentioned 6 times) [2] long-range decision-making (3 times).

For **Credit managers** the most important uses were: [1] improving their credit decisions (4 times), [2] setting and amending plans (3 times),

[3] identifying profitable sectors and trends in the market (3 times),

287

[4] setting credit policies and evaluating credit decisions taken (1 time).

Financial managers gave 6 different ways that they would put the information into use. The most frequently mentioned were: [1] looking for new markets, new opportunities, and new products (7 times); [2] budgeting and planning (5 times); [3] pricing, [4] measuring the relative strength of the bank; [5] reducing costs.

Branch managers believed that the information would help them in: [1] better servicing and supporting and retaining their clients (4 times); [2] planning and setting goals (3 times); [3] attracting new business and growth (2 times);

[4] taking decisions to fit market conditions (2 times); [5] at the bottom of the list, was to avoid risks and to evaluate the bank's position in the market.

All the interviewees (100%) said they needed information on the external environment and the majority of the interviewees (67%) needed wide-scope information. The uses they would put that information to all flow into the pool of enhancing OE. The uses mentioned could be grouped under improving their decision–making abilities, and setting goals better suited to the dynamics of the environment, thereby grasping opportunities they would know about through wide-scope information, and to grow in a way suitable to the circumstances.

Broadly relevant information is supported by many researchers (Vandenbosch & Huff, 1997; Miller, 1993; Brouwens & Abernethy, 2000) [see more in discussion in Section 4.7.2.2, Information on the External Environment at PB; and Section 2.5.2, External Factors]. Miller (1993, p.120) writes 'Even in successful organizations there are occasional small failures that should induce managers to re-examine their premises and to gather more broadly relevant information'. Brouwens & Abernethy (2000, p. 223) find that 'broad scope information...is also externally focused, non-financial, and future oriented'.

The factors in the external environment mentioned by the managers interviewed in PB were again mentioned by the survey interviewees apart from circulating rumours, namely: economic and political changes, competition, government regulations.

The views expressed by the interviewees in the survey and the case study about changes in the external environment affecting the performance and OE as they affect other organisations is shared by many researchers. The need for information on the changes in a dynamic external environment applies to banks in Jordan as it does to the banking sector in the West (Mabberly, 1992, p.104; Helliar et al., 2002, p.40). Other researchers highlighted the effect of the external environment on organisations in general (Hughes,

1965, p. 107; Hall, 1972, p.312; King & Cleland, 1975,p. 289; Simon, 1977, p. 40, 121; Bromwich, 1990, p. 27; Palmer 1992, p.197; Burns & Stalker, 1994, p.1; Miller, 1993, pp. 120,134; Preston, 1995,p. 279; Vámosi, 2000, p. 50) to name but some.

Researchers describe the external environment in many ways: as problematic in its existence (Weick, 1977, p. 218); can be multi-dimensional (Kirchhoff, 1977, p. 347); and no ranking of the importance of factors in the external environments is meaningful or that factors can have an isolated effect (Hall, 1972, p. 312). Pennings & Goodman (1977) see changes in the external environment as being of a random nature (p. 167), and organisations enact part of their own environments (Pondy, 1977, p. 230), which in turn affect them.

Hirsch (1975, p. 327) talks of the institutional environment as part of the wider external environment that also needs to be considered:

> '...yet, the relative performance of the industries from which samples are drawn is not examined in most studies of OE, largely because their environments are often defined as beyond the scope of measures used to assess the major components of each organisation's task environment' (Hirsch, 1975, p. 328).

The effect of the institutional environment came out clearly in the survey. Even in the case where respondents said that they were interested in only a few variables in the external environment, information on other banks was mentioned as a focus of interest. Burns & Scapens (2000, p.5) recognise that 'many accounting practices can both shape and be shaped by the institutions, which govern organizational activity'.

The international institutional influence on the Jordanian banking sector comes mainly through international banking standards with which CBJ requires Jordanian banks to comply. Those regulations affected the design and role of MAS as well in Jordanian banks as discussed further in the case study [see Section 4.8.3, Information on CBJ Directives and Regulations; and Section 2.5.1.3, MAS Practice in Other Countries].

5.9.2.2 How Survey Interviewees Got Information Needed

After clearly indicating the need for information on the external environment [Exhibit 5.8, Need for Information on the External Environment in JCB; and Exhibit 5.9, Uses of Information on the External Environment in JCB], the respondents were given choices in question 4 regarding whether they actually received such information for planning and decision-making through current MAS reports. Four respondents said 'yes' and 8 said 'to a satisfactory extent' adding up to 40% of those interviewed who got the information [Exhibit 5.10, MAS Reports on the External Environment and Their Frequency]. The

respondents who answered with an emphatic 'yes' were the ones who also said that they preferred information on few variables in the external environment, a matter that reflects on the nature of information included in MAS reports as dealing with a limited number of variables. On the other hand, 60% of the respondents said 'No' and 'to some extent':

'We need more information...more accurate and more specialised as it helps me in achieving goals' (interview 23).
And: *'MAS reports do not serve my purpose' (interview 12).*
Different reasons were mentioned such as:

Exhibit 5.10
MAS Reports on the External Environment and their Frequency in JCB

Item (N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
External environment information actually received Overall percentage 47%	63%	12%	50%	25%
Needed periodic MAS reports Overall percentage 53%	50%	50%	63%	37%
Needed periodic and ad hoc reports Overall percentage 40%	50%	50%	37%	63%

'We get information through the Statistics Department but it is contradictory information' (interview 27).

And: *'Reporting is not comprehensive enough...this requires of me a lot of manual work to consolidate data from different reports to produce meaningful information on the basis of which one could make educated decisions' (interview 10).*
And: *'I inherited the reports I receive from the previous manager...we need to update the reports...the quality and components should be more detailed and more comprehensive' (interview 15).*
And, on a similar note:
'A lot of the MAS reports do not provide detailed information...so I do not seriously look into them' (interview 29).
These comments suggest that what they got was less than they needed whether in terms of breadth, detail, or quality totalling up to 60% of the respondents.

On the issue of timing of information, 53% of all those interviewed [Exhibit 5.10, MAS Reports on the External Environment and Their Frequency] said they would prefer to receive information on the external environment periodically to stay updated on the changes in elements of the external environment specified earlier as economic, political, social factors, competition, government regulations, and technological changes.

'The timing of the information is important...some information I get late...so I have to set different scenarios ...this affects my work adversely' (interview 24).

The rest of those interviewed (i.e. 47% of the respondents) felt that they needed *ad hoc* reports in addition to periodic reports in order to be updated and informed on particular issues that periodic reports might not deal with regularly. It also reflects on the dynamism of the external environment that they have to react and pro-act to.

For a closer look at individual functions, **deposit managers'** replies to question 4 did not conform to the overall pattern. Those deposit managers who said 'yes' and 'to a satisfactory extent' to actually receiving information for planning and decision-making through current MAS reports comprised 63 % of all the deposit managers interviewed compared to the overall percentage of 40%. The answers indicate that the majority got their information on the external environment through MAS reports.

The deposit managers were split in half with 50% preferring to receive periodic reports and 50% preferring to receive periodic as well as *ad hoc* reports, which is in line with the overall percentage of 47%

Credit managers/deputy managers were not happy with the information they received on the external environment through MAS reports. Only one respondent out of the entire credit managers' category said that he was quite satisfied with the MAS reports provided. Out of those who were not happy with the information they got, two respondents (25%) clearly said that they did not actually receive information on the external environment at all. Five respondents (63%) answered that they had 'to some extent' information on changes in the variables in the external environment totalling 88%. This is much higher than deposit managers at 37%. It is worth mentioning here that two respondents of the five mentioned in the 'to some extent' group said that they complemented the minimum information they needed to do their work by information obtained through personal efforts.

Using personal efforts to get information was mentioned by a number of managers interviewed in the case study as a means of obtaining information. The sources mentioned by those interviewed in the survey were the same as in the case study, namely the media, colleagues, acquaintances, Central Bank of Jordan publications, and other banks' publications [see Section 4.9.1.1, How PB Interviewees Got Information Needed].

As to the timing element, 50% of the credit managers/assistant managers interviewed said they needed MAS reports to inform and update them periodically. The other 50% said that, in addition to the periodic reports, they also needed *ad hoc* reports on emerging issues when they need them.

Financial managers in the JCB were happier with information on the external environment than their credit manager counterparts. Half of the respondents in this category said that they got what they needed to a satisfactory extent, and just one respondent said (s)he did not actually get information. Three interviewees (37%) said 'to some extent'.

As to the timing of the reports, the financial managers were more in favour of periodical reports (63%) compared to 37% preferring to receive, in addition to periodical reports *ad hoc* reports.

A number of explanations can be given regarding the clear preferences of the financial managers. In all banks apart from one, the financial managers were among the originators of MAS reports if not the only ones. Those reports addressed their needs more than they did in the case of others. The task of providing information was once again assigned to a department while a different unit used them (Swanson, 1983, p. 220). As will be made clear later on, financial managers /financial controllers needed more information for feedback control purposes than for planning and decision-making, bearing in mind that the control they exercised was *ex post* control [Exhibit 5.11 Functions in Which MAS Reports were More Helpful in JCB].

Exhibit 5.11
Functions in which MAS Reports were more Helpful in JCB

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
More in planning Overall percentage 9%	12%	12%	12%	0%
More in decision-making Over percentage 6%	0%	25%	0%	0%
More in control Overall percentage 72%	12%	63%	63%	100%
Equally Overall percentage 25%	75%	0%	25%	0%

Branch managers showed the same pattern as credit managers, with 75% of the branch managers saying that they did not actually receive information on the external environment about which all of the interviewees and not only branch managers said they needed to know. Out of the eight branch managers, 25% said that they did receive information or that they did so 'to a satisfactory extent'.

The pattern found with the financial managers/financial controllers, deposit, and credit managers was reversed in the case of branch managers. It seems that branch managers are

292

more interested in getting *ad hoc* reports and periodic reports (63%) to deal with non-recurring cases in the market that they came across in their work more than getting periodic reports (37%) that could be too late or not covering issues that are of current interests to branch managers as timely information in terms of speed and frequency has the potential to reduce uncertainty (Brouwens & Abernethy, 2000, p. 223).

5.9.2.3   Sources of Information on the External Environment in JCB

Sources of information on the external environment available to the managers interviewed for the purposes of decision-making and planning were:

> (a) statistics published by government;
>
> (b) internal reports and data bases;
>
> (c) personal efforts.

(a) Statistics published by government bodies: Those statistics were criticised by almost all interviewees in the survey as they were in the case study [see Section 4.9.1.1, How PB Interviewees Got Information Needed]. The criticisms centred round the issues of inaccuracy, unreliability, and lateness as can be found in the following quotations:

*'Government statistics are **not reliable**' (interview 3 & 4).*
And: 'Government statistics on the economy are always **late** in relation to economic changes' (interview 8).
And: 'We **like** to get more information ... **more accurate** and **more specialised** as it is this type of information that helps me in achieving goals' (interview 23).
And: *'We have information through the Department of Statistics but **it is contradictory information**' (interview 27).*

(b) Internal reports and data bases: These will be discussed under characteristics and design of MAS reports in JCB [Section 5.13].

(c) Personal efforts: Some survey interviewees (17%) relied on their personal efforts to get information. Although the questions did not include questions about whether the managers interviewed used personal effort or personal means to get information on the external environment as the focus is the role of MAS, they explained it by:

'I rely on my personal effort to get information' (interviews 14 & 13).
And '...*Each on of us does his/her own research ...I am happy with it this way or else they would send me information that I do not really need in targeting my market' (interview 27).*
The managers interviewed in the case study had the same opinion. At PB managers who said that their work was affected by the external environment got information to varying

293

degrees through personal efforts. The sources for information to which the managers interviewed resorted were such as media, clients, friends, publications of the Jordanian Banks' Association [see discussion in Section 4.9.1.1, How PB Interviewees Got Information Needed].

5.9.2.4   Information on the Internal Environment in JCB

When asked about MAS reports they received on the internal environment, 73% of the survey respondents said they needed more information than was provided by MAS reports (Q 16) [Exhibit 5.12, Need for More Information on the Internal Environment in JCB],

'Until now I am not able to take decisions I am a happy with due to the absence of an information system' (interview 12).

And: *'Reporting is not comprehensive enough...this requires me to do a lot of manual work, to consolidate data from different reports to produce meaningful information on the basis of which one could make educated decisions' (interview 10).*

And: *'What I would like to get is my branch budget' (interview 18)*

Exhibit 5.12
Need for More information on the Internal Environment in JCB

Item (N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Need more information Overall average 73%	50%	88%	50%	75%

Two respondents of the 37% who did not need more information than they were getting said that they got all that they needed on the internal environment through committee meetings thus compensating for what MAS reports lacked.

When I asked what other information they might be looking for, respondents gave 10 different types of internal information they felt were needed for their work. The main types are shown in Exhibit 5.13, Types of Internal Information Needed by the Survey Interviewees.

I asked the interviewees for what purposes they needed the information identified. Of the 21 respondents who said they needed more information on the internal environment, 73% needed it for planning and decision-making, 14% needed it for control, and 14% for coordination.

Looking at what information was available to managers on what was going on in other departments in their banks obviously explains what came in response to question 16 when 76% said they needed more information on the internal environment to enhance their abilities in planning and decision-making.

Exhibit 5.13
Types of Internal Information Needed by the Survey Interviewees

	Times mentioned	Type of internal information
1	9 times	The work of other departments such as structure of deposits, credit facilities, other departments' goals
2	5 times	Information on the bank's new and existing services
3	2 times	Customers' profiles
4	2 times	Corporate goals and plans

Question 14 asked what it was that they were informed about on the internal environment of their banks, and how helpful it was in planning and decision-making. More than 37 different items were specified. The information can be categorised as shown in Exhibit 5.14, Types of Internal Information Provided to the Survey Interviewees.

Exhibit 5.14
Types of Internal Information Provided to the Survey Interviewees

	Times mentioned	Types of internal information provided
1	17 times	Information connected to HR regulations, and administrative notices and news
2	11 times	Information on the bank's new products
3	4 times	Information on the bank's profits and revenues
4	3 times	Customer satisfaction
5	2 times	Information on the bank's budget

Half of the **Deposit managers** (50 %, 4 out of 8 respondents) said they got what they needed on the internal environment. As to what type of information the other 50% needed, the answers differed from information on credit facilities and deposits to the need to be informed before any changes are introduced to computer programmes to information on customers' and products' profiles.

As to why they needed this information, the answers of those four who said they needed more information could be grouped under: [1] planning and decision-making needs (3 times); [2] control and evaluation needs (2 times).

Looking at the **credit managers,** only one respondent when asked said he got what he needs. The rest (7 respondents) believed that what they got was not enough. The eight types of other information they felt they needed for purposes of planning and decision-making were varied. The answers given can be grouped under:

[1] information on structure of deposits in the bank;

[2] information on new services;

[3] information on credit products other than retail and corporate credit;

[4] information on plans of opening new branches.

Financial managers showed a very close pattern to deposit managers with 50 % saying they did not need internal information other than which was provided to them. The remaining half was not satisfied with the internal information. Those who needed more information on the internal environment indicated that they needed more analysed information, better timing of reports for planning purposes (2 respondents), and more accurate information (1 respondent).

Branch managers, 75% said they needed more internal information than they received. The information needed by unsatisfied managers were, apart from one, information for planning and decision-making purposes, such as on the liquidity position of the bank, the bank's investment portfolio, and information on new services.

A longitudinal case study by Helliar et al. (2002, p. 44) on a British bank extending over a period of six years showed the evolution of MAS reporting over the years. It showed that the 'Bank's profitability reporting system had been affected by the development of new products and a change in the management accounting culture within the Bank'. This brings to mind the clear emphasis which both credit and branch managers put on their need to know about new services and customer and product profitability, which seems to apply to banks in both countries.

Helliar et al. also noted that:

> 'the financial engineering did not develop in the banking industry until the 1980's...the pace of change in both external and internal factors increased dramatically during the 1980's and 1990's, and this had both a direct and indirect impact on the Bank's need for better information about its business processes in order to maintain its financial viability' (pp.48, 50).

Mabberly (1992) makes a similar to Helliar et al. in financial institutions 'any internal information has been limited to conventional budgetary control' (p. 4), and that the ability of MAS to identify unprofitable processes and products as one of the major difficulties facing financial institutions (p. 171).

5.10 Diffusion of Information in JCB

This section looks into whether the available information was sufficiently diffused through the surveyed banks' structures, and the reasons which the interviewees believed hindered the diffusion of information. This will be compared to the findings from the case study and other researchers' work. The interview guide used in the interviews dealt with the effects of centralisation of information, technology used in communicating

information and the use of computers, internal politics, bureaucracy, and information gatekeepers in providing the necessary and sufficient information for each manager within each bank.

5.10.1 Factors Hindering the Diffusion of Information in JCB

There were some factors within the PB that were found to have affected the role which MAS played in enhancing OE. The effect came from factors that were part of the organisational structure, such as the structured flow of information. Other factors were informal organisational factors such as internal politics. The case study showed that there were gaps in communication, feelings of insecurity, internal politics, centralisation of information, excessive bureaucracy, lack of documented procedures, and problems relating to the organisational structure [Section 4.10, Factors Hindering the Diffusion of Information at PB].

5.10.1.1 Centralisation of Information in JCB

One of the findings relating to the organisational structure of PB was that the centralisation of information affected the availability and diffusion of information [Exhibit 4.15, Structural and IT Problems Affecting MAS Design and Operation and Goal Achievement at PB]. Centralisation, whether it came as a result of the formal organisational structure, self-appointed information gatekeepers, or internal politics, affected the availability of information thereby negatively affecting goals achievement and OE.

To look at this in the survey population, questions 19 and 20 asked about information gatekeepers and internal politics as aspects of the unstructured centralisation of information, and the structured centralisation of information in the organisational structure of the eight banks. The questions also asked how the existence of those phenomena affected respondents' work with regard to planning, decision-making, and control to assess the effect on goals achievement and subsequently OE.

5.10.1.2 Internal Politics in JCB

When respondents were asked [Q19] whether they believed that internal politics existed at the bank, 56% said 'yes'. The percentage was brought down by the 37% of financial managers who said the phenomenon was not found at their banks [Exhibit 5.15, Effects of the Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB].

297

Exhibit 5.15
Effects of Centralisation of Information, Information Gatekeepers, & Internal Politics in JCB

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Existence of centralisation of information Overall percentage 67%	50%	63%	75%	63%
Existence of information gatekeepers Overall percentage 47%	63%	50%	37%	25%
Existence of internal politics Overall percentage 56%	63%	63%	37%	63%
Negative effect on planning Overall percentage 63%	37%	88%	25%	63%
Negative effect on decision-making Overall percentage 54%	50%	37%	25%	63%
Negative effect on control Overall percentage 59%	37%	50%	37%	75%

Some of the respondents' answers explained the reasons internal politics existed:

*'Internal politics...more due to **lack of professional attitude and negative relations between head office and branches** ' (interview 12).*
And: *'It is a **cultural issue**...Jordanians like to keep information to themselves, it makes them feel powerful' (interview10).*
And: *'They (some **managers**) need to **express their importance** so they interfere in the providing of information' (interview 15).*
Those who believed that internal politics were not found - although being a much smaller percentage (37 %) than those who believed in its existence- could have a number of explanations for their belief. One explanation could simply mean they were not aware of its existence, or never came across it in their dealings with other employees of the bank. Another explanation might be they did not feel comfortable to acknowledge the fact, as they might have regarded it as a sign of weakness in the organisation rather than as a phenomenon that exists in any 'social system' in varying degrees and not peculiar to JCB. On the play of internal politics within a social entity, Giddens (1995, p.108) writes that 'there are thus political and economic aspects of all social systems which have some enduring existence'. Giddens as well as many other researchers (e.g. Gross, 1965, p. 211; Pettigrew, 1972, p. 188; Markus & Pfeffer, 1983, p. 206; Argyris, 1971, p. B-279; Mason & Mitroff, 1973, p. 483; Bariff & Galbrith, 1978, p. 15; Puxty, 1993, p. 91; Miller, 1993,p. 126; Burns & Stalker, 1994, pp. 101, 146, 152; Granlund, 2001, p. 162) agree on the role which internal politics play within an organisation.

If we look at the. interviewees from the perspective of their functions, 63% **deposit, branch, and credit managers** believed that internal politics was found at their banks:

'...On my level the existence of internal politics bothers me more than having information gatekeepers' (interview 4).

It is worth mentioning here that among the 3 deposit managers (37%) who said that the phenomenon of internal politics did not exist in their respective banks there was an assistant general manager who had a positive outlook on almost all issues.

As for **financial managers,** 37 % believed that internal politics found at their respective banks, which is a much lower percentage than in the case of deposit, branch, and credit managers.

Financial managers on the whole felt that they were in a good position to get information and keep it centralised in their departments. This could be a possible explanation for the difference between the beliefs of the financial managers and the managers in other functions.

Bariff & Galbrith (1987, p. 15) agree and explain that accountants and MIS staff share the ability 'to acquire power for themselves' and affect the redistribution of power of users of accounting and other information as they are the providers of 'information, materials and other services to support users'. Burns & Stalker (1994, pp. 146, 152) also report on the use of information as a means of playing internal politics and that it resulted in reducing OE. They continue to say that 'information may become an instrument for advancing, attacking, and defending status'. Similar beliefs were expressed by Whittington (1992, p. 685), Wetherbe (1991, p. 55), Markus & Pfeffer (1983, p. 206), Mason & Mitroff (1973, p. 483), Argyris (1971, p. B-279), Pettigrew (1972, p. 188), and Gross (1965, p. 211).

Given the influence of family and tribal affiliations in Jordanian society, one particular matter that can be added to the above is that internal politics can also be influenced by personal contacts and family ties (Whittington, 1992, p. 695) [see discussion in Section 4.22, Effects of External Culture on Organisational Structure at PB; and Section 5.28, Cultural Effects on Diffusion of Information in JCB].

Wetherbe (1991, p. 55), after acknowledging the existence and effect of internal politics, suggests that top management can deal with it by cross-functional design. Chia (2000, p. 260) reported his findings that 'the implementation of MAS may not be effective in reducing the information asymmetry problem of moral hazard unless other monitoring devices are in place and functioning effectively'.

As to the effect which internal politics had on the interviewees' ability in planning, decision-making and control, this will be discussed along with the effect of centralisation of information and of information gatekeepers in Section 5.10.1.3 below.

5.10.1.3   Structured Centralisation of Information and Information Gatekeepers

The survey interviewees' responses showed that 67 % believed that information was centralised at their banks. As for information gatekeepers, 47% of the interviewees believed that there were also gatekeepers. Again, the percentage of information gatekeepers was brought down by the financial managers of whom 63% said there were no information gatekeepers at their banks [Exhibit 5.16, Consequences of Centralisation of Information in JCB; and Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics and their Effect].

Exhibit 5.16
Consequences of Centralisation of Information in JCB

	Times mentioned	Effect
1	9 times	Delays work
2	4	Reports do not contain enough details
3	2	Incorrect information

Similar opinions were expressed in the case study where 54 % of the managers interviewed believed that there was centralisation of information at PB [see discussion in Section 4.10.4, Centralisation of Information at PB].

One respondent had an opinion on this when I met him/her for a second follow up meeting after six months after our first meeting.

'The change of senior and middle managers did not change anything ...I believe it is the mentality of Jordanians...a cultural matter' (interview 13).

This was a comment on the big changes introduced by the general manager of the bank (after assuming his position a year earlier) to create a more dynamic and effective work climate by replacing the older generation of managers with younger managers. The comment of the interviewee above reflects the feeling of frustration as it was revealed that the problems management of the bank faced were not mainly due to the organisational structure or attitudes of certain managers but were mainly a reflection of the social culture and that they posed a major obstacle that might not be easily surmountable.

Whether this affected the work of the respondents and, if so, how it affected their work was looked at in question 20 in terms of planning, decision-making, and control. Only 3

300

respondents (10%) said that the three phenomena had a positive effect on their planning, decision-making and control. The remaining 90% mentioned a number of negative effects. Some just said it was a negative effect without specifying what it was.

The most frequently mentioned effect was: [1] the phenomena delayed their work; [2] MAS reports did not contain the details needed by the interviewees; [3] users received incorrect information. What follows from this is the extent of suitability and plausibility of goals set, plans and decisions made under such circumstances and how that would affect OE [Exhibit 5.16, Consequences of Centralisation of Information in JCB].

Deposit managers as a group showed a lower percentage, 50% believed there was centralisation of information (67 % overall percentage). However, 63 % believed there were information gatekeepers compared to the overall responses of 47% [Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB.

As to how the three phenomena affected their planning activities, 37 % of the deposit managers said it caused delays, and 25 % said it hindered them from doing their work, which naturally would be reflected in their ability to achieve their departmental goals and subsequently corporate goals resulting in a lower OE.

What applied to planning also applied to decision-making. Once again delays in taking decisions were mentioned by 50 % of respondents. This in one deposit manager's opinion took its toll on customers' relations and quality of work.

Control exercised by deposit managers/assistant managers was also affected by centralisation of information, internal politics, and information gatekeepers in the same way as planning and decision-making as mentioned by 37% of the deposit managers.

In the case of those interviewed in the **credit departments,** whether assistant general managers or corporate credit department managers or assistant credit managers, 63 % of these interviewed (5 interviewees) said that there was centralisation of information in their respective banks, which is slightly lower than the overall percentage of 67%. Half of the credit interviewees (50%) said that there were information gatekeepers, compared to the overall percentage of 63% [Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB].

There was a single interviewee (interview 21) – an isolated case – who said that none of the three phenomena was to be found in his bank. Looking at the answers of the three others interviewed in the same bank as the respondent in interview 21, we find that one

respondent said there was centralisation of information, two said there were information gatekeepers and one said there was internal politics at the bank.

It is true that all respondents answered the questions from their own personal perspective but there is the question as to why the opinions of the other three interviewees at the same bank were so different from his. It is worth mentioning here that the credit manager whom I interviewed in this particular bank has been working for that same bank for almost 20 years and his assistant was present during the interview upon his request to help him in answering the questions (or so I was told).

The way in which credit managers found that the three phenomena affected their work in planning [Q 20] was commented on in interview 11: *'Substantially...I cannot plan or decide based on incorrect information'*.

The phenomenon reduced their effectiveness in setting of plans (4 interviewees) by creating red tape routine, delaying work, and providing inaccurate information. One corporate credit manager [interview 19] explained it as *'managers at the bank belong to different schools'*.

One respondent [interview 6] believed that centralisation of information made his work easier. The explanation he gave was that, with information centralised in one department, this meant he would know where to get it from, and would not have to chase around looking for the information he needed in the different departments of the bank.

In decision-making, 63 % of the credit respondents said that centralisation of information in all its forms did not affect their decision-making processes. The explanation was that, keeping in mind that commercial banks get more than 90% of the profits from credit facilities, when it came to granting credit to an applicant all the necessary information had to be obtained or else no decision would be taken. This information they got from credit applications, which were not part of MAS information. It needs to be pointed out here that the credit interviewees all seemed to concentrate on short-term decisions when answering question 20 relating to deciding whether to approve a credit application or not.

The phenomena seemed to affect credit managers more in controlling the work of their departments and monitoring implementation. Of the eight respondents 50% said that they were negatively affected, whereas one respondent believed that the phenomena had a positive effect.

If we look at the credit managers who said that the phenomena did not affect them in planning it was because they depended on personal means to get the information which they needed. As for decision-making, the reasons that were mentioned by the respondents

were that they relied on detailed and comprehensive credit applications to get information and not from MAS reports. In control no clear answers were given as to why their ability to control their departments and implementation was not affected.

When the **financial managers** were asked questions 19 and 20, 75 % of them said that there was centralisation of information at their respective banks. And 37 % of the respondents (3 interviewees out of 8) believed that information gatekeepers were found in their banks. Perrow (1970 as quoted by Hopper, 1980, p. 402) ascribed managers' resentment of the power of accountants to the centralised structures of finance and consequent neglect of managers' information needs.

A single financial manager said that none of the phenomena was to be found at his/her bank but, at the same time, all the other three interviewees in the same bank believed that the phenomena were found at the bank.

As to how the phenomena affected financial managers in planning, 75% said that they were not affected. Some of the answers given were that they were not involved in planning for their department to start with.

'A financial department does not have goals' (interview 8).

Two respondents said that the effect on their work was translated into delays in work and blocking their ability to take action.

At the other end of the spectrum, one respondent said that the centralisation of information helped her/him to get accurate and up-dated information much quicker from one source, while another financial controller experienced that:

'centralisation is causing bottlenecks' (interview 15).

The same situation was expressed by the respondents when they were asked about decision-making. A majority of 75 % said they were not affected, as they were not involved in the first place. A single respondent in this category said that it affected the quality of his/her work [Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB].

On control, 63% said the phenomena affected their ability to control with the implications for the quality of their work as opposed to planning and decision-making where 25% of the deposit managers were negatively affected by centralisation of information:

'...I have to go back and evaluate the information given to me instead of having clear correct information' (interview 11).

As pointed out above in the quotation from interview 8, financial managers/financial controllers were not involved in planning, but control -with emphasis on the short-term-

was an important part of their jobs since the majority of the respondents in this category (75%) were in charge of budgetary control.

Branch managers believed there was centralisation of information (63%), which is more than the other three categories of respondents. However, 25% believed that there were information gatekeepers.

As to how did the phenomena that existed in the branch managers' opinions affect planning and decision-making, 63% of the branch managers believed they had a substantial negative effect on availability of information.

One explanation given by the three who said that the phenomena had no effect on them said: *'it depends on how good his/her relations are with other head office managers' (interview 14).* Another manager said that the phenomena had a small negative effect on her/his work. The third branch manager believed that the phenomenon of centralisation of information had a positive effect on the flow of information as it provided a regular flow.

On control 75, % of the branch managers felt that the existence of the three phenomena had a large negative effect on their ability to control.

The branch managers come out as the least content of the four groups. Throughout the answers they expressed the need to have more say over the managing of their branches. Centralisation of information prevented them from setting their own plans, and insufficient authority prevented them from taking the decisions they felt were most suitable. Branch managers were also not provided with proper channels to provide feedback information to head office.

On the unstructured centralisation of information due to internal politics and information gatekeepers, Miller (1993) writes that information can be an instrument of power (p. 126) with which many other researchers agree, then he continues to say that 'power begets power' and those who have it might be unmotivated to give it up (p. 125). Roberts & Scapens (1985) believe that 'accounting researchers have not explicitly recognised the use of accounting as an instrument of domination i.e. power' (p. 449), but information is not neutral and can be used politically.

5.11 Organisational Structure in JCB

In the PB case study, the organisational structure of PB was found to be one of the factors that hampered the role of MAS by decreasing the quality, quantity, and the effectiveness of the flow of information within MAS [Section 4.10.1, Channels of Communication; and Section 4.10.7, Other Organisational Structure Elements at PB].

Elements relating to organisational structure for enhancing the flow of information were identified in the case study [Exhibit 4.13, Elements in Organisational Structure that Hinder the Flow of Information]. I included them in the interview guide used in the survey to find out whether they also worked for the other JCB [Exhibit 5.5, Elements in Organisational Structure in Enhancing the Role of MAS in Enhancing OE].

On the above I asked the survey interviewees questions 17-20. I started by asking a general question on what in the respondents' opinion were the elements of organisational structure that allowed the smooth flow of information for effective goals setting, and why those elements were important to her/him. Then I asked specifically whether the respondents faced any problems with the delineation of responsibilities among departments and managers and channels of communication. Questions 19 and 20 concerned the centralisation of information - whether it was part of the formal structure of the organisation or as a result of self-appointed information gatekeepers (managers) who managed to wield power and used it to promote their own interests, and how was all that reflected in planning, decision –making, and control [discussed earlier in Section 5.10.1, Factors Hindering the Diffusion of Information in JCB].

Following what was done in the case study, the analysis will discuss the effects which structural factors had on MAS in terms of providing information and in the sufficient diffusion of information in each of the eight banks.

5.11.1   Elements Decisive in the Organisational Structure of JCB for the Flow of
          Information
All those I interviewed in the course of the survey had been working in the banking industry most of their working lives and, in many cases, all of their working lives. In one isolated case one interviewee was recruited a year before from outside the banking industry.

The periods they have been in banking ranged from 7- 25 years (2 of those I interviewed retired shortly after I interviewed them). Also, most of the managers interviewed have been working for the same bank for most of their working lives. Consequently the respondents have gained reasonable experience in banks and at times valuable experience. Furthermore, most of the respondents held senior positions in their banks which gave them the opportunity and a perspective to compare and weigh the value of those practices which worked and why as well as those practices which did not. I was interested to know about the work experience of each interviewee and asked informally about it. I felt that

this would help me – though not in all cases - to evaluate the answers (s)he was giving me, particularly that I was asking questions that needed knowledge and experience and soundness of judgement (Chan & Lynn, 1993, p. 93).

In question 17 each interviewee was asked what were in his/her opinion the elements decisive for a smooth flow of information within the bank for effective goals setting. The answers given can be listed under nine categories [Exhibit 5.17, Elements in Organisation Structure Decisive for the Flow of information]. The elements that were mentioned far more than the others were well-defined and stable responsibilities and authorities, communication channels, and coordination among managers and departments, followed by the need for specialised departments for the different functions at the bank. It would be safe to say that the elements identified either worked for the respondents or were found to be lacking in the banks they worked for [Exhibit 5.18, Elements in Organisation Structure Decisive for the Flow of Information per Function].

Exhibit 5.17
Elements in Organisation Structure Decisive for the Flow of Information in JCB

	Frequency N=30	Element	Case study
1	47%	Stable well-defined responsibilities and authority	*
2	40%	Communication channels	*
3	37%	Coordination	*
4	27%	Departments with specialised functions	
5	23%	Work procedures	*
6	20%	Decentralisation	*
7	20%	Human factor	*
8	1%	Job descriptions	*

* Elements mentioned in Exhibit 4.13, Elements in Organisational Structure that Hinder the Flow of Information

The identification of coordination and communication brings to mind what Lewin & Minton (1986, p. 528) say on the topic that 'organisational systems that support decision making...(are) designed so as to facilitate interactions and communications for the coordination and control of organisational activities'.

The next question I asked was why they thought that the elements they have identified were of importance. The answers clustered round 'because that's what made their performance more effective and efficient' (mentioned 16 times). Another reason was because it enhanced communication among managers and departments. Then came 'because it helps planning' and it 'made feedback and follow up easier'. [See Exhibit

306

5.19, Functions that Organisational Structure of a Jordanian Commercial Bank should Serve].

Exhibit 5.18
Elements in Organisation Structure Decisive for the Flow of Information per Function in JCB

	Element (N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
1	Coordination Overall percentage 37%	50%	50%	12%	37%
2	Departments with specialised functions Overall percentage 27%	--	25%	37%	50%
3	Communication channels Overall percentage 40%	25%	50%	63%	25%
4	Stable well-defined responsibilities and authority Overall percentage 47%	37%	50%	37%	50%
5	Decentralisation Overall percentage 20%	37%	--	12%	37%
6	Human factor Overall percentage 20%	12%	25%	12%	25%
7	Job descriptions Overall percentage 1%	12%	--	12%	12%
8	Work procedures Overall percentage 23%	12%	37%	--	37%

Looking at **deposit managers** -for a close look at each of the four functions- their answers for Q17 on decisive elements of organisational structure can be grouped under [see Exhibit 5.18, Elements in Organisation Structure Decisive for Flow of Information per Function]:

(1) coordination among department (mentioned 4 times);

(2) communication channels (2 times);

(3) well-delineated departments (3 times);

(4) shorter hierarchy (3 times).

The elements the deposit managers named follow the pattern of the overall interviews outlined earlier.

The reasons deposit managers gave for their choices were also in harmony with all the other respondents. They said that those elements of the organisational structure improve communication so ideas and information can be exchanged and with greater ease. The second reason was delays would be avoided i.e. performing tasks would be more effective and efficient as shown in Exhibit 5.19 above.

307

<div align="center">Exhibit 5.19</div>
<div align="center">Functions that Organisational Structure of JCB should Serve</div>

	Function
1	Make performance of staff more effective and efficient
2	Enhance communication among departments and managers
3	Help in planning
4	Make feedback and follow-up easier

The eight **credit managers** identified 10 elements in the organisational structure. The most frequently mentioned elements were [see Exhibit 5.18, Elements in Organisation Structure Decisive for the Flow of Information per Function in JCB]:

(1) coordination with other departments with a stress on IT department [4 times];

(2) documented work procedure [3 times];

(3) clear communication channels [4 times];

(4) well-defined responsibilities of departments and individuals [4 times];

(5) specialised departments [2 times].

As to the reasons why the above elements were specifically identified, the credit managers followed the general pattern outlined in Exhibit 5.19, Functions that Organisational Structure of a Jordanian Commercial Bank Should Serve. They said those elements were needed: (1) to speed matters; (2) to improve coordination; (3) to improve control through better accountability, follow up and feedback; and (4) to improve planning in general and planning for reducing credit risk in particular.

As for the **financial managers**, their identification of elements in the organisational structure was quite dispersed. They named 12 elements but three were identified more frequently [Exhibit 5.18, Elements in Organisation Structure Decisive for the Flow of Information per Function in JCB]:

(1) communication channels (5 times);

(2) specialised departments (3 times);

(3) adequate levels of authority (3 times).

The reasons given by the financial managers/controllers for the choice of elements were: (1) to increase efficiency and effectiveness, speed up matters and avoid bottlenecks; (2) to enhance communication and exchange of information; (3) to avoid resistance, negative reactions from other managers and avoid internal politics.

Branch managers mentioned nine different elements but the most frequently mentioned were:

(1) assigning adequate authority for each position (4 times);

(2) specialised departments (4 times);

(3) decentralisation (3 times);

(4) communication channels (2 times);

(5) coordination (2 times);

(6) work procedures (3 times).

Three of the four elements were shared by the other respondents in deposit, credit, and finance. The other two ['decentralisation' and 'assigning proper authority'] were peculiar to branch managers and are closely linked together.

Branch managers did not actively participate in setting their goals as was discussed in Section 5.9.1 on goal-setting:

'I know the needs of my customers better than top management...they do not give us sufficient authority...no explanations' (interview 28).
Or as another branch manager explained:

'...A client is a manager's client and not the bank's client' (interview 14).

Most of them complained that head office did not give them enough authority and, at times, none to grant credit or preferential interest rates to existing customers or to try and attract new customers.

'There is no delegation of responsibility or authority commensurate with the position an employee holds' (interview 18).
Everything had to go through Branches Management Department at head office; a matter branch managers believed affected their ability to achieve their branch and personal goals (Pondy, 1977, p. 233).

The reasons branch managers gave for the choice of the elements of organisational structure above were: [1] to eliminate confusion, delays, and inconsistencies (3 times); [2] for coordination with head office (3 times); [3] to achieve better results and improve morale (2 times).

The effect of organisational structure on MAS has been discussed by a great number of researchers including Gross (1965), Hughes (1965), Hofstede (1969), Hall (1972), Mason & Mitroff (1973), Simon (1977), Hopper (1980), Hopwood (1978), Hannan & Freeman (1977), Markus & Pfeffer (1983), Spicer & Ballew (1983), Lewin & Minton (1986), Miller (1993), Scapens (1994), Burns & Stalker (1994), Mouristen (1995), Preston (1995), Helliar et al. (2002) to mention but some.

Hopper (1989, p. 408) agrees with the need for the decentralisation of organisations as this will make MAS more responsive to managerial demands regarding formats, content,

timing, and distribution of data. Wilson & Chua (1993, p. 292) express a similar opinion on the topic of delegating more authority in this case to branch managers:

> ' delegation ensures that localized decisions are made by local managers who have gained a specialised stock of knowledge about local conditions...delegating decision-making authority to local managers is intended to lead to higher levels of motivation'.

Reid (2000, p. 430) sees the link between environment and organisational structure when the environment is stable, decision-making is conservative, involving little analysis, and the organisational structure would be strongly centralised. However, the market facing JCB was highly competitive, surrounded by rapid political, economic, and technological changes which banks' managements cannot choose to ignore for long.

5.11.2 Delineation of Responsibilities and Authority of Departments in JCB

Question 18 in its second part asked about a specific feature of organisational structure. The case study findings indicated that problems with the delineation of the responsibilities of departments and individuals were not clear and needed improvement as 77% of PB managers said [see Section 4.10.7, Other Organisational Structure Elements at PB].

In the survey a very similar percentage was found: 75% of the respondents said they faced problems with the delineation of responsibilities of departments. In answer to what were the problems they faced, 14 respondents [47% of the respondents identified it as the most critical element to affect the flow of information] said that the responsibilities of sub-departments within larger main departments were not clear.

The interviewees blamed the organisational structure for the problems with delineation. A small number of respondents blamed it on human nature and internal politics [Exhibit 5.20 Problems in the Delineation of Responsibilities in JCB; and Exhibit 5.21, Causes of Problems in the Delineation of Responsibilities in JCB].

For a closer look at **deposit managers'** opinions, 75% faced problems in the delineation of responsibilities of departments one way or another. The problems mentioned were: (1) confusion as responsibilities were not clear (50% of the respondents); (2) managers were unable to take decisions (25%).

As to why responsibilities of managers and departments were unclear and undefined, six different answers were given. The more frequently mentioned were: (1) job descriptions were to blame; (2) some managers were reluctant or too weak to take decisions. Others less frequently mentioned were insufficient care for long-term planning, and systems and procedures.

310

Credit managers, as they have been on most of the topics compared to deposit managers, were more demanding and uncompromising. In this case 100% faced problems with the delineation of responsibilities of departments. Unclear responsibilities were the problem mentioned by 63% of the respondents.

Exhibit 5.20
Problems in the Delineation of Responsibilities of Departments in JCB

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Those who faced problems Overall percentage 75%	75%	100%	50%	75%

The reasons behind the problem were many, nine in number. The most frequently mentioned can be grouped under: organisational structure (3 times), unclear policies, nature of banking, and managers belonging to different schools and sub-cultures.

Exhibit 5.21
Causes of Problems in the Delineation of Responsibilities of Departments in JCB

	Frequency	Cause of the problem
1	14 times	Flaws in the organisational structure
2	6	Management style
3	5	Influence of the human factor
4	5	Internal politics
5	2	Nature of banking

Financial managers were happier with the delineation of responsibilities of departments than were the managers in the other functions. The problem faced by the 50% of financial managers/controllers was the lack of clarity and confusion in responsibilities. The problems were caused in their opinion by management style, and the human factor.

75 % of **branch managers**/deputy managers faced problems with the delineation of responsibilities. In their opinions the causes were: flaws in the organisational structure (5 times), introduction of new systems or changes in existing ones (2 times), and internal politics (1 time).

As the data in Exhibit 5.20 [Problems in the Delineation of Responsibilities of Departments in JCB] clearly show, the delineation of responsibilities was a problem the majority of managers in JCB faced. The problem with unclear responsibilities and authorities occurred *par excellence* as a result of flaws in the organisational structure according to the interviewees. The importance of this is evident in that unclear

311

responsibilities affect the availability of information within a bank and, consequently, the quality of planning, decision-making, and accountability.

It was suggested by some that top management wanted it that way, and made no effort to change as it served some other management purposes such as flexibility and allowing management to assign tasks to managers as they saw fit. However, what could be seen was that the managers interviewed did not feel satisfied with the state of affairs and that delayed and confused their efforts and the quality of the outcome. Added to that are the psychological effects that need to be considered.

Wilson & Chua (1993, p. 368) write on the importance of the delineation of responsibility that 'a requisite for accountability is (i) a clear definition of the organizational structure; (ii) a precise specification of the individual responsibilities so each person knows his role'.

5.11.3 Channels of Communication in JCB

Based on the finding of the case study, a number of issues relating to channels of communications were found to have an effect on information needed for planning, decision-making, and control in terms of the flow, quantity, and quality of information.

Respondents to the survey questions were asked whether they faced any problems with communication channels. The majority (61%) said they had no problems [Exhibit 5.22, Factors Positively Affecting Communication Channels].

Exhibit 5.22
Factors Positively Affecting Communication Channels in JCB

	Factors positively affecting communication channels
1	Organisational structure
2	Management style
3	The calibre of staff at the bank

Those answers give an opportunity to look into the factors that worked for satisfactory communication channels and the factors that were identified by 39% of the respondents to hinder the effectiveness of communication channels [see Exhibit 5.23, Factors Negatively Affecting Communication Channels in JCB].

One of the respondents commented on channels of communication by saying:

'We do not have an efficient channel with top management to decide whether to agree or disagree' (interview 18).

312

This was the answer of an interviewee when asked whether (s)he found that his/her interpretation of changes in the external environment differed from those of top management.

A second interview commented:

'There is some delay in receiving information... planning is an on-going process' *(interview 8).*

Half of the 39 % who faced problems with communication channels believed the reasons behind that was due to the organisational structure of the bank. One third (33%) believed internal politics were also responsible for the problems with communication channels [Exhibit 5.23, Factors Negatively Affecting Communication Channels in JCB].

Exhibit 5.23
Factors Negatively Affecting Communication Channels in JCB

	Frequency	Factors
1	6 times	Organisational structure
2	4	Internal politics
3	1	Cultural factor
4	1	Psychological gap between the levels of management

Exhibit 5.24
Problems with Communication Channels In JCB

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Faced problems with communication channels Overall percentage 39%	37%	50%	37%	50%

However, the phenomenon does not seem to be a characteristic of JCB only. Burns & Stalker (1994, p. 189) in their research in the late 1950's on Scottish electrical manufacturing companies remarked that: 'no concern, it is safe to say, is without political or social conflicts which generate, or contribute to, manifest inefficiencies of communication within the working organisation'.

What Burns & Stalker say can be linked to the responses of the interviewees in the survey regarding their dissatisfaction with the communication channels through which reports and information was passed, and to the role which internal politics played in JCB.

If we link what is discussed on communication channels with respondents' answers on elements decisive for the flow of information for effective goals setting [Exhibit 5.17,

Elements in Organisation Structure Decisive for the Flow of Information in JCB], 40% identified communication channels as the second most frequently mentioned element after stable and well-defined responsibilities and authority.

Looking at **deposit managers'** responses on communication channels we find that 63% of deposit managers faced no problems with communication channels, which is in line with the overall percentage of 61%. The remaining 37 % who faced problems believed there were due to reasons such as internal politics, organisational structure, and cultural factors.

For **credit managers,** 50 % said they did not face problems with communication channels. This is a lower percentage than the overall average (61%) and of the deposit managers (63%). [See Exhibit, 5.24, Problems with Communication Channels in JCB].

Factors relating to organisational structure were named by four respondents including unclear responsibilities and defects in the communication system. Three respondents blamed psychological and cultural reasons (such as, the psychological gap between management and employees, and internal politics) for the problems faced.

Financial managers showed a similar pattern to deposit managers with 63% [5 out of 8 financial managers] saying they faced no problems with communication channels. Two of those answered:

'for the financial department all channels are open (interview 9)

and *'I am a financial manager, I do not have problems there' (interview 1).*

As for the three financial managers (37 %) who said that they faced problems, the reasons given were organisational structure (3 managers), unqualified staff (2 managers), cultural problems and internal politics (1 manager).

Branch managers' opinions were close to those of credit managers, and (50%) said they faced no difficulties. Those who did complained about long and unclear channels. One manager complained that it was a problem having all communication with head office going through a single channel. Frequent changes in organisational structure as a factor was mentioned by one manager, which coincides with what was said by PB managers about the problems they faced with communication channels due to frequent changes in PB's organisational structure [see Section 4.10.1, Channels of communication at PB].

It was not observed in the survey as remarked by Burns & Stalker (1994, p. 160), that 'channels of communications becoming attenuated' as a result of so many channels around the managers interviewed as was observed in the PB case study at top management level. One explanation could be that those interviewed for the survey were

mostly senior and not top managers [Exhibit 5.3, Distribution of Interviews According to Position]. However, one assistant general manager stated:

'I need such reports but I do not want to be flooded with paper...' (interview 13).
Ineffective communication channels could have grave implications for organisations and for the role which MAS is expected to play within organisations when 39% of the survey interviewees from eight banks and 55% of the interviewees in PB [see Section 4.12, Characteristics and Design of MAS Reports at PB] clearly stating that they faced different problems with communication channels. The implication of blockages and gaps in communication channels could affect management's performance in terms of planning, decision-making, and control (Burns & Stalker, 1994, p. 84; Hughes, 1965, p. 93; Hofstede, 1968, p. 297; Hall, 1972, p. 292; Pettigrew, 1972, p. 187) and ultimately on the OE of an organisation.

From the answers of the survey interviewees and the discussion, what was found at PB was also found in the other Jordanian banks. The elements decisive for the flow of information applied to both PB and the survey population, namely the need for a clear delineation of responsibilities and authority of departments as well as clear channels of communication, and the effect that these factors had on their work in terms of effectiveness, efficiency, planning and control also applied in both situations.

Departments with specialised functions emerged as a new finding in the survey. Although it was identified by 27% of the respondents it was of importance to branch managers since 50% identified it as result of the difficulties they faced when going back to head office through one formal single channel, (which was the Branches' Management Department) for consultations, advice, and information.

5.12   The Design of MAS in JCB

In the case study of PB there were a number of findings relating to factors that affected the design of MAS. This current section looks into how the contingent factors that influenced the design of MAS at PB play a role in the design of MAS in JCB [see Exhibit 4.14, Factors Affecting Design of MAS; and discussion in Section 4.11.1, The Design of MAS at PB].

5.12.1   Factors Affecting the Design of MAS in JCB

The survey did not extensively cover all of the 13 factors identified in Exhibit 4.14, Factors Affecting Design of MAS. Strategies of the organisations 1983, culture, interrelation with man and machine were not adequately covered in the questions used for

315

data collection in the survey as there was a need to keep the research within manageable limits for a single researcher, in addition to time constraints.

5.12.1.1 Corporate Culture in JCB

The effect of corporate culture as a contingent variable (Hofstsede, 1968) manifested itself clearly in MAS at PB and in the survey population and is discussed in Section 5.30, Corporate Cultural on Design of MAS in JCB.

5.12.1.2 Psychology and Problems of MAS Users in JCB

The psychology and problems of users (Mason & Mitroff, 1973) of MAS was not taken into consideration in the design of the system at PB [see discussion in Section 4.11.1.6, Effects of Psychology of Users on MAS Design at PB; Section 4.12.8, Participation in MAS Reports Design at PB; Section 4.13.2.1, Psychological Gap Between Managers and Computers at PB]. As a result the majority of the managers encountered problems with it. In the survey the responses of those who participated in the design of MAS differed from one function to another. The branch managers were the least involved in the process and the financial managers the most involved. Examples can be found in Exhibit 5.12, Need for More Information on the Internal Environment, where the type of information needed differs from one function to another. Another example is the different weightings given by the different function to elements in the organisational structure as shown in Exhibit 5.21, Elements in Organisation Structure Decisive for the Flow of Information per Function in JCB and the difference in the psychology and problems of users can also found in Exhibit 5.25, Characteristics of MAS Reports in JCB.

Exhibit 5.25
Characteristics of MAS Reports in JCB

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Historical reports /Time horizon Overall percentage 90%	88%	63%	75%	100%
More helpful in control orientation Overall percentage 60%	37%	67%	63%	100%
Contain unnecessary detail Overall percentage 42%	25%	56%*	50%	37%
Contain irrelevant information Overall percentage 38%	25%	50%	25%	50%
Do not have sharp focus Overall percentage 32%	12%	33%*	44%*	37%

* In those marked *instances the answers were: some reports* lacked focus and some not. I included the answers twice, once in 'agree' and again in 'disagree' and calculated the percentage out of 9 and not 8 respondents as in the case of all other percentages.

The credit managers were more demanding of the system than were the deposit managers [see for example Exhibit 5.11, Functions in which MAS Reports were More Helpful in JCB; Exhibit 5.26, The Role of the IT System in MAS in JCB]. One reason might have been the financial risk that their jobs entail. Another explanation one can give is the different tasks which credit and deposit managers undertake require people v.ith different personality attributes.

Exhibit 5.26
The Role of the IT System in MAS in JCB

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Helped in planning Overall percentage 55%	88%	25%	72%*	25%
Helped in decision-making Overall percentage 75%	100%	75%	83%**	75%
Helped in control Overall percentage 90%	100%	100%	72%*	100%*

- * Out of 7 available answers
- ** Out of 6 available answers

Ansari (1977, p. 105) quotes Mason & Mitroff (1972) as suggesting *more varied assumptions about a decision-maker's cognitive style so that information systems can be better matched with cognitive styles.* The fact that both credit and branch managers were more dissatisfied with the organisational structure and MAS reports shows that the criticism of the system did not come from certain levels in the hierarchy, but included both senior and middle managers.

The design of MAS in JCB was affected by the psychology and problems of the users, and dissatisfied managers recognised its impact on the performance of their banks. This was seen in many areas as discussed at different points, such as the time horizon and orientation of information, in the frequency of reports and their formats, in setting goals and in performance evaluation. [See discussion in Section 5.13, Design and Characteristics of MAS Reports in JCB; Section 4.12, Characteristics and Design of MAS Reports at PB; and Section 4.11.1.6, Effects of Psychology of Users on MAS Design at PB].

5.12.1.3   Decision-Making Style in JCB

317

The effect of the decision-making style (Driver & Mock, 1975) of the compilers and movers of MAS was seen in the answers of the respondents to questions that asked about the attitude of the management towards the dissemination of information and setting of goals [see discussion in Section 5.30, Corporate Culture in JCB; Exhibit 5.27, Management Commitment to Diffusion of Information in Jordanian Commercial Bank; Exhibit 5.28, Effects of Corporate Culture in JCB on the Role and Operation of MAS].

Exhibit 5.27
Management Commitment to Diffusion of Information in JCB

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Management is sufficiently committed to making information available Overall percentage 67%	88%	63%	63%	50%
Management believe that there is information that ought not be diffused to senior managers Overall percentage 91%	88%	88%	88%	100%
Need for restricted information for planning and decision-making Overall percentage 47%	25%	50%	50%	50%

Exhibit 5.28
Effects of Corporate Culture in JCB on the Role and Operation of MAS

1. Effect on the quantity and quality of information for planning and decision-making
2. Effect on the diffusion of information to managers
3. Effect on communication channels
4. Effect on the delineation of responsibilities and authority of departments
5. Effect on customer-orientation of the banks

It showed a top-bottom style where goals where decided by top management for departmental and branch managers. This affected the ability of branch managers to achieve their goals and, even when they were able to achieve them, they felt demoralised [see for example Section 5.9.1, Goal-Setting in JCB; and Section 5.16.3, Disagreement between Corporate and Departmental/branches' Goals and Individual Goals in JCB]. It also showed a conflict of personal goals with branch and departmental goals [see discussion in Section 4.16.1, Budgetary Control of Branches at PB; Section 5.16.2, Conflict between Departmental/Branches' Goals and Corporate Goals in JCB; and Section 5.16.3, Disagreement Between Corporate and Departmental/branches' Goals and Individual Goals in JCB].

The goal-setting process and the lack of information provided on the external environment shows the management's decision-making style to be more tuned to control than to long-term planning. [See discussion in Section 5.9.2.1, Information on the Internal Environment in JCB; Section 5.17.2, Effects of Characteristics of MAS Reports on Planning and Decision-Making in JCB; Section 5.17.3, Effects of Management Style on Planning and Decision-Making in JCB; and Exhibit 5.11, Functions in which MAS Reports were More Helpful in JCB].

The decision-making style (as shown in discussing organisational structure) heavily affected the centralisation of decision-making and the centralisation of information, and goal-setting. Information on the internal environments of the banks also shows the decision-making style of management, as information that credit and branch managers considered important to their work was not made available to them [see discussion in Section 5.9.2.4, Information on the Internal Environment in JCB; Section 5.16.1, Effects of Goal-Setting Process on Planning and Decision-Making in JCB; Section 5.10.1.3, Structured Centralisation and Information Gatekeepers in JCB].

5.12.1.4   Organisational Structure in JCB

The effects of organisational structure (Hopper, 1980) on the design and operation of MAS are strong as discussed in Section 5.11 Organisational Structure [see Section 4.11.1.4, Effects of Organisational Structure on MAS Design at PB; Exhibit 5.16, Consequences of Centralisation of Information in JCB; Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB; Exhibit 5.18, Elements in Organisation Structure Decisive for the Flow of Information per Function in JCB; Exhibit 5.21, Causes of Problems in the Delineation of Responsibilities in JCB; Exhibit 5.22, Factors Positively Affecting Communication Channels in Jordanian Commercial Bank; Exhibit 5.23, Factors Negatively Affecting Communication Channels in Jordanian Commercial Bank]. The effects were in the areas of communication channels, the delineation of responsibilities, the centralisation of information, coordination, and pyramid-shaped levels of authority among others. These had a negative impact on the role of MAS in enhancing OE.

5.12.1.5   Cultural Factors in JCB

The influence of the cultural factor (Markus & Pfeffer, 1983) on MAS was seen in the PB case study to affect goal setting [see Section 5.26, Cultural Effects on Planning and Goal-

319

Setting in JCB; and Exhibit 5.6, Effects of Social Culture on Planning & Decision-Making in JCB], communication, the delineation of responsibilities and authority [see Section 5.27, Cultural Effects on Organisational Structure in JCB; Section 5.28, Cultural Effects on the Diffusion of Information in JCB; Exhibit 5.29, Effects of Social Culture on Communication and the Diffusion of Information in JCB; and Exhibit 5.30, Effects of Social Culture on Organisational Structure in JCB], performance appraisal, planning and decision-making, and feedforward control. Although the cultural factor was not included in the survey as being too vast to address in addition to the research question, it still came up in the answers of the respondents on several occasions. It was also possible to gain some insights through some of the questions asked.

5.12.1.6   Established Power Distribution in JCB

The influence of established power distribution (Markus & Pfeffer, 1983) on the design of MAS was clear in the PB case study as it was in the survey population. This can be seen in the interface between the compilers and users of MAS reports and the effect which it had on the performance of the users as discussed in such areas as centralisation of information (67%) [see Section 5.10.1.2, Internal Politics in JCB; Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers and Internal Politics; and Section 4.10.3, Internal Politics at PB]. Pfeffer (1977, p. 144) finds that the distribution of power and the preferences of those in power positions determine activities within an organisation which, in turn, is determined by 'uncertainties in the technology and environment faced by an organization' (Waterhouse & Tiessen, 1978, p. 69).

What could be seen in Jordan Commercial Banks was that internal politics that existed at the banks [56% of the respondents], and information gatekeepers [47%] influenced the quantity and quality of information generated and diffused within the banks [Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB].

The characteristics of MAS reports [Section 5.13, Characteristics and Design of MAS Reports in JCB] also bear witness to decisions taken by designers of the systems as to what, when, to whom, and how much should be reported.

The established power distribution was clear again from the answers when respondents were asked what they thought were the main reasons that have affected the quality and quantity of MAS information [Q 10]. Among the reasons given were management style, cost, but most of all due to the IT system employed. All these reasons came as decisions

Exhibit 5.29   Effects of Social Culture on Communication and the Diffusion of Information in
Jordanian Commercial Banks

[1] More use of top-
down communication

High power distance ⟹
culture

[2] Restricted flow of
information

enhancing

Reducing communication
and diffusion of

information

Diminishing role of
MAS in

OE

[1] Lesser inclination to
teamwork

Individualistic culture ⟹

[2] Ineffective use of
committees

320 A
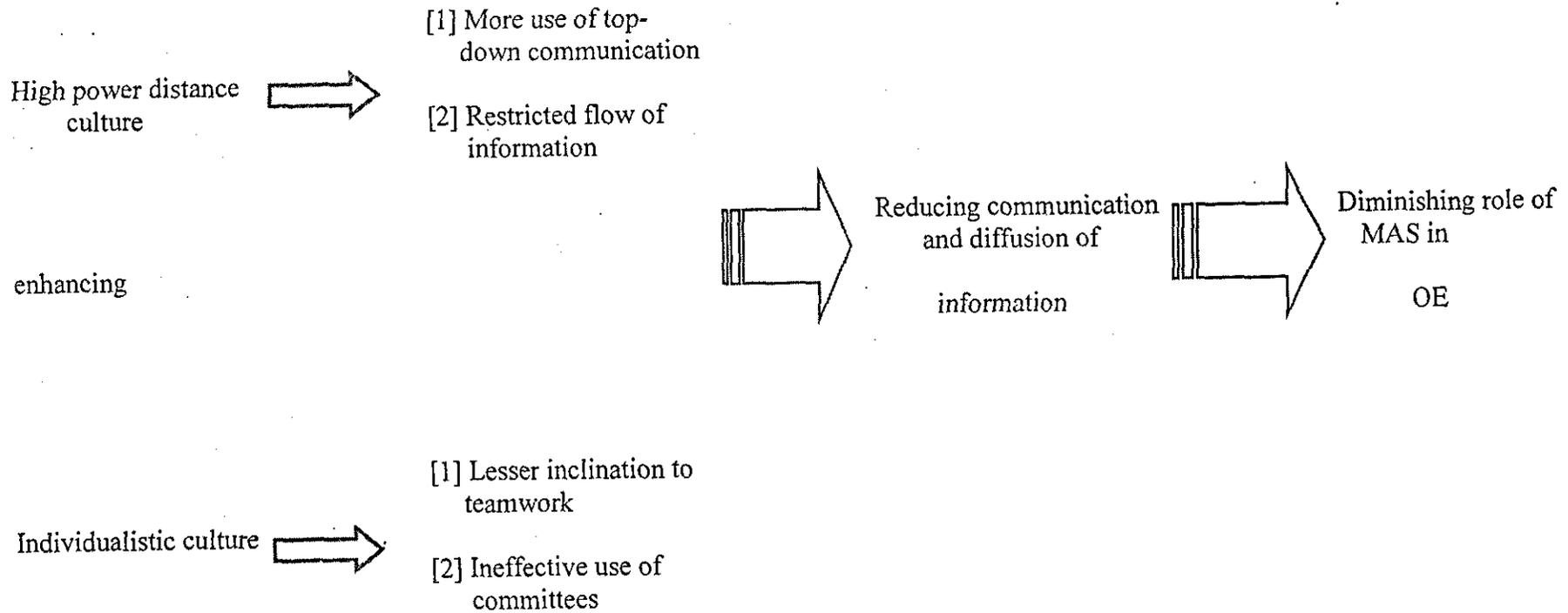
Exhibit 5.30
Effects of Social Culture on Organisational Structure in Jordanian Commercial Banks

High power distance culture → [1] Centralisation of authority
[2] Less delegation
[3] Excessive bureaucracy
[4] More use of top-down channels of communication

→ Less amenable organisational structure for flow of information

→ Diminishing role of MAS in enhancing OE

Individualistic culture → [1] Unproductive committees

320 B
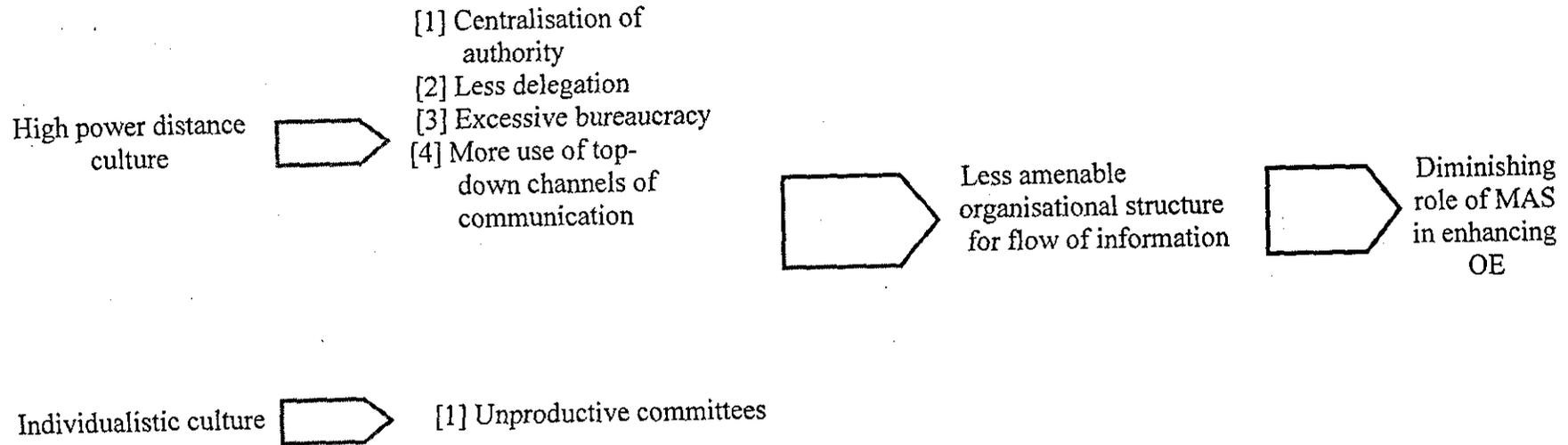
from top and senior management [Exhibit 5.31, Factors Affecting Quantity and Quality of MAS Information in JCB]. Design of MAS, therefore, 'should focus on those disturbance sources or interactions that are likely to affect system performance more than others' (Ansari, 1977, p. 108).

Exhibit 5.31
Main Factors Affecting Quality and Quantity of MAS Information in JCB

	Factor (N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
1	IT system Overall percentage 53%	63%	25%	75%	50%
2	Inefficient communication channels Overall percentage 31%	25%	37%	37%	25%
3	Lack of national sources for specialised information Overall percentage 28%	37%	25%	25%	25%
4	Inefficient information systems at the bank Overall percentage 28%	25%	12%	25%	50%
5	Cost Overall percentage 22%	12%	25%	25%	25%
6	Unqualified IT staff Overall percentage 19%	25%	12%	12%	25%
7	Management style Overall percentage 19%	12%	12%	12%	37%

5.12.1.7 Motivational Factors and Performance Appraisal System in JCB

Motivational factors and performance appraisal system (Ashton et al., 1995) [discussed in more detail in Section 5.20.2, Performance Evaluation in JCB] did not meet the needs and the motivational influences desired by the interviewees. A majority (69%) of the respondents were not satisfied with the performance appraisal systems adopted at their banks. The respondents voiced demotivation and demoralisation affecting the quality of their work in setting goals and achieving them [see discussion in Section 5.9.1, Goal-Setting in JCB].

The financial motivation style such as profit sharing schemes and end-of-year bonuses affected the design of MAS in that financial measures relating to financial goals such as profits or revenue were the ones to be measured. This might be one explanation of the predominantly financial information in the reports where 80% of those who had budgets budgeted financial goals only and 53% of all respondents reported to top management financial information only [Exhibit 5.32, Use of Financial and Non-Financial Information

321

in JCB]. I should point out here that non-financial information related mainly to elements in the external environment such as competition and clients. Notwithstanding the above, culture might be another explanation for emphasising financial measures in the MAS practices in JCB (Hofstede 1991, p. 84).

One of the reasons why the interviewees were not satisfied with the performance appraisal system was subjectivity. A majority of 77% of the 69% respondents who were not satisfied with the performance appraisal system [Exhibit 5.33, Criteria of Employee Performance Evaluation in JCB] singled it out as the main reason, and 41% of the dissatisfied interviewees said that the criteria by which they were evaluated were unclear. Unclear criteria could lead in turn to a heavy use of subjectivity.

The survey interviewees were also not enthusiastic about working in teams and joint projects as their motivational needs were not properly addressed [Exhibit 5.33, Criteria of Employee Performance Evaluation in JCB].

Exhibit 5.32
Uses of Financial and Non-Financial Information in JCB

(N=30)	DM	CM	FM	BM
Need for non-financial information Overall percentage 93%	88%#	100%#	88%#	100%#
Budgeted financial goals only Overall percentage 80%	67%*	83%*	25%**	83%*
Budgeted financial and non-financial goals Overall percentage 23%	33%*	17%*	0%**	17%*
Reported financial information only Overall percentage 53%	50%#	63%#	63%#	37%#
Reported financial and non-financial information Overall percentage 47%	50%#	37%#	37%#	63%#

*   Out of 6 respondents who had a budget
** Out of 2 respondents who had a budget
\#   Out of 8 respondents

It seems that the designers of the system believed in the innate ability of superiors and management with regard to evaluating performance and did not incorporate 'clear' and 'comprehensive criteria' -as described by the respondents- into MAS. In the PB case study managers also found the criteria by which they were evaluated to be unclear and incomprehensible [Section 4.18, Role of MAS in Providing Information on Performance Evaluation at PB].

Not setting clear measurements for performance appraisal adversely affected the design of MAS in its role in enhancing performance and led to feelings of frustration and

322

demotivation that affected OE in a number of ways as 88% of credit and branch managers and 63% of financial managers were not satisfied with their performance evaluation [see discussion in Section 5.24, Commitment of Line Managers to Achieve Goals in JCB].

Exhibit 5.33
Criteria of Employee Performance Evaluation in JCB

(N=30)	DM	CM	FM	BM
Not satisfied with criteria Overall percentage 69%	37%	88%	63%	88%
Subjective evaluation Overall percentage 77%**	100%**	43%**	60%**	86%**
Unclear criteria Overall percentage 41%**	67%**	29%**	40%**	43%**
Unfair criteria Overall percentage 36% **	33%**	43%**	40%**	29%**
Non-comprehensive criteria Overall percentage 36%**	67%**	29%**	20%**	43%**
Achievement is mixed up with other managers Overall percentage 81%	50%	100%	75%	100%
Achievement gets mixed up due to the nature of banking work Overall percentage 19%*	25%*	13%*	0%*	38%*
Achievement gets mixed up due to inadequate measures Overall percentage 92%*	100%*	100%*	100%*	63%*

** Percentages calculated out of those who were not satisfied with performance evaluation criteria
* Percentages calculated out of those who said that achievement got mixed up

Other elements in the MAS did not provide sufficiently for motivation such as the quality and quantity of information made available to users of MAS. The diffusion of information through organisational structures did not provide sufficient motivational influences nor did the goal setting processes.

5.12.1.8   Technology in JCB

Technology (in the sense of the IT system used by MAS) played an important part in the design of the system as described in the use of computers in MAS [see more discussion in Section 5.14, Use of Computers in MAS in JCB]. Flexibility of the computerised banking system and other packages to bridge the gaps in the main banking system affected the

323

design of MAS in the survey population. This was reflected in the lack of cross-information and flexibility in the design and complexity of MAS information.

On the other hand, networking made it possible to link departments and branches and exchange information on-line as well as positively affecting the role which MAS can have in generating and diffusing information.

IT had a further influence on the design of MAS in centralising the generation of MAS reports in the IT departments with the close collaboration of the financial departments [see discussion in Section 4.11.1.3, Effects of Information Technology on MAS Design at PB].

5.12.1.9   Principles of Feedback and Feedforward Control in JCB

Principles of feedback affected the periodicity of MAS reports used by the survey interviewees whether daily, weekly or otherwise. It also influenced the type of information collected in terms of focus and orientation [see more discussion in Section 5.22, Adequate Feedback and Feedforward in JCB].

The principles of feedforward control (Wilson, 1998) were not evident in the survey population as 90% of the reports were historical or mostly historical [Exhibit 5.26, The Role of the IT System in MAS in JCB]. Information on the elements of the external environment were not adequately collected and diffused [see for example Exhibit 5.10, MAS Reports on the External Environment and Their Frequency; and Exhibit 5.8, Need for More Information on the External Environment]. As a result the MAS adopted did not reflect any of it. The design of MAS in JCB did not take into consideration the needs of feedforward control in aligning the three levels of corporate, departmental, and individual goals.

5.13 Design and Characteristics of MAS Reports in JCB

MAS reports are discussed separately due to the significance they hold within MAS. They are one of the main vehicles of diffusion of information traversing departments, branches, and levels in banks. What interests us at this point is looking at the types of information that MAS reports hold in order to assess the role of MAS in enhancing OE from yet another aspect

From the PB case study there were a number of findings relating to the characteristics of MAS reports, the factors that influenced the design of MAS, and the use of computers in

324

JCB. The survey questionnaire addressed those findings via a number of questions (Q 6-7, 10-12, 21-27, and 34).

As I have done in the previous section, I will compare analysed survey data with the findings from the case study in the three areas.

I will look into the characteristics of MAS reports using the same model of Gordon et al. (1978) that I used in the case study in addition to some characteristics that were found to be of relevance from the PB case study.

The model involves: format, data to be included, time horizon, orientation, and frequency of the reports.

MAS reports, in addition to their obvious role in providing information for planning were identified by 88% of the respondents as the most frequently used means of control [Exhibit 5.34, Control Tools in JCB].

Exhibit 5.34
Control Tools in JCB

(N = 30) Tool	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Reports Overall percentage 88% (PB 73%)	75%	75%	75%	75%
Follow-up Overall percentage 44%	25%	63%	50%	37%
System built-in controls Over percentage 28% (PB 27%)	25%	37%	12%	37%
On-line information Overall percentage 25%	---	37%	37%	25%
Visits Overall percentage 9% (PB 20%)	12%	---	12%	12%
Supervision Overall percentage 9%	12%	---	12%	12%
Results Over percentage 9%	25%	12%	---	---
Budgets Overall percentage 9%	12%	---	25%	---

5.13.1   Format

The format used for MAS reports in JCB was similar to what was described in the case study [see discussion in Section 4.12, Characteristics and Design of MAS Reports at PB] as predominantly figures and/or tables with only 30% of the survey managers interviewed receiving descriptive reports. One interviewee commenting on why MAS reports lacked adequate non-financial information, saying:

'We did not pay attention to all these issues (including non-financial information) as there were more pressing priorities' (interview 6).

In Q 6 interviewees were asked whether they would look for information on the external environment in financial or non-financial form and, if MAS reports did not include enough non-financial information, how would non-financial information be useful to them? 93% of the respondents said they looked for information in non-financial form in addition to financial. Half of the interviewees believed that non-financial information explained financial information (50%), as can be seen from some interviewees' comments [Exhibit 5.35, Uses of Non-Financial Information]:

Exhibit 5.35
Uses of Non-Financial Information in MAS Reports

	Frequency	Uses
1	14 times	Understanding the environment
2	12	Decision-making
3	9	Planning for markets, clients, and products

'Non-financial information explains the financial and are indications for the future' (interview 8).
And: *'Financial indicators cannot explain enough' (interview 18).*
And, in contrast:
'I do not work with descriptions...I work with financial information to control and plan' (interview 3).

As to how the respondents would have used non-financial information had it been provided to them, the most frequent answers were [see Exhibit 5.35, Uses of Non-Financial Information in MAS Reports]: (1) in gaining a better appreciation of the meaning of financial information on the external environment factors (14 times); (2) in decision-making as non-financial information affect financial information (12 times); (3) in planning as non-financial information could show market trends, in targeting new clients, and in creating new products (9 times).

The uses mentioned emphasise the importance of non-financial information for enhancing planning and decision-making. In the PB case study 30% of the managers interviewed received reports that contained non-financial information, although all interviewees indicating their need for them. One survey interviewee commented:

'I get financial information through formal channels, and non-financial information I get through personal contacts' (interview 14).

When we look at each function we find that **deposit managers** rarely agreed with such a high percentage on any other question, but 88% choose to get non-financial information

and not only financial information. The uses it would help them with were first and foremost: (1) planning be it for products or new clients (mentioned 5 times); (2) in decision–making as non-financial information affects and explains financial information (5 times).

All **Credit managers** (100%) said they preferred to receive financial and non-financial information. The uses mentioned were: (1) improving the quality of their credit decisions and better assessing the credit risk involved *(7 times)*; (2) planning as the non-financial information helps in interpreting the market and explaining available financial information (8 times) as for example:

'MAS reports I receive do not contain enough non-financial information...if we are talking about big amounts (credit facilities) then we insist on getting non-financial information on the client' (interview 13).

Financial managers/controllers also chose to receive non-financial with financial information (88%), and would have used it for:

(1) decision–making as it was with all the other managers because non-financial information helped explain and provide deeper analyses, as well as acting as a forewarning for future changes (8 times); (2) for setting goals (1 time).

Exhibit 5.36
Need for Non-Financial Information in JCB

(N=30)	DM (n= 8)	CM (n= 8)	FM (n=8)	BM (n= 8)
Need for non-financial information Overall percentage 93%	88%	100%	88%	100%

All **branch managers** (100%) said they needed both financial and non-financial information on the external environment, and it would have been helpful to them in: (1) planning as non-financial information explains financial information and is more capable of explaining the future impact of changes; (8 times), (2) in decision–making (5 times).

From the answers the unanimity on the inclusion of non-financial as well as financial information in MAS reports comes out strongly. Those findings agree with MAR as 'intelligence information' (so called by Simon 1977, p. 128) can only be available 'as man-readable natural language text'. When including non-financial information the reports would be forward-looking addressing the needs of planning and long-term decision-making as they are intended to be (Bouwens & Abernethy, 2000, p. 224; Miller,

327

1993, P. 128). Miller (1993, p. 26) also warns against the propensity of most information systems for quantitative data which introduces biases and leads to eroding customer satisfaction when looking through the narrow perspective of financial information.

5.13.2   Data to be Included in MAS Reports

Information in the reports was collected from the various users of the system. It was the transactions data from branches collected through banking systems that were bought and adapted to suit the needs of each commercial bank. The data then was processed using the main IT banking system or other software packages and reports generated and distributed to the users.

The survey interviewees believed they did not receive enough information [see discussion in Section 5.9, Availability and Diffusion of Information in JCB]:

'...We have to rely on direct sales approach to collect what information we need' (interview 27).
And: '...I only wish I could get background information even on rates of exchange' (interview 28).
Some respondents referred to their dissatisfaction with the type of information as well as the lack of it:

'Reporting is not comprehensive enough...this requires of me a lot of manual work to do to consolidate data from different reports to reach meaningful information based on which I could make educated decisions' (interview 10).
All interviewees [100%] needed information on the external environment and 67% needed wide-scope information [Exhibit 5.8, Need for Information on the External Environment in JCB]. However, 60% said they did not get it through MAS reports. On the internal environment 73% said they needed more information to serve them in planning [76%], coordination [14%], and control [14%]. [See Exhibit 5.12, Need for More Information on the Internal Environment; and Exhibit 5.13, Types of Internal Information Needed by the Survey Interviewees]. A similar observation, though in a different context, by McNair, Lynch & Cross (1990, p. 28) on financial reports found 'profit and loss statements, budgets and margin analyses have been too aggregated, too late and too one dimensional to be useful to operational managers'.

To find out more about the characteristics of MAS reports, question 25 asked whether the MAS reports the interviewees received lacked sharp focus, which 68% disagreed. As to whether they contained irrelevant information for planning and control, 62% of the respondents disagreed, or whether the reports contained unnecessary details, 58% disagreed. Once again looking at the individual functions showed that deposit and

financial managers had a more favourable outlook on matters than did credit and branch managers, which influenced the overall percentage as when 50% of credit managers felt that MAS reports contained irrelevant information which shows that MAS reports did not meet their needs. [See Exhibit 5.25, Characteristics of MAS Reports in JCB]. This still partly supports these practices found in PB where reports were long and detailed and did not report by exception [see discussion in Section 4.12.7, Over-Information in MAS Reports at PB; and Section 4.12, Characteristics and Design of MAS Reports at PB].

Deposit managers strongly disagreed (88%) with the statement that MAS reports lacked sharp focus, and that they had irrelevant information (75%), or unnecessary detail (75%). [See Exhibit 5.25, Characteristics of MAS Reports in JCB].

Credit managers (67%) also did not feel that MAS reports lacked a sharp focus. while on the other hand, 50% said that the reports contained irrelevant information and 56% said they contained unnecessary detail.

56% of the **financial managers** also disagreed that MAS reports lacked a sharp focus, or contained irrelevant information (75%), and 50% said they contained unnecessary detail.

Branch managers showed the same pattern as the other functions: 63% said that the reports were focused but 63% also said they had unnecessary detail, and 50% said the reports contained irrelevant information.

As to MAS reports being long, detailed and lacking in a sharp focus, the reports were found by the users to have all the three characteristics but to varying degrees. The majority of the survey interviewees did not find them long with irrelevant and unnecessary information. The percentages of those respondents who did find them long and detailed ranged between 32% and 42%. [See Exhibit 5.25, Characteristics of MAS Reports in JCB].

In their recent study on profitability reporting in a British bank, Helliar et al. (2002, p. 36) remarked that bank management in a dynamic environment needs to know about customer profitability and product profitability, by geographical areas and at a group level. The same idea was also discussed by Rezaee (1991, p. 28). Mabberley (1992, p. 171) sees that 'one of the major challenges facing all financial institutions is the identification of unprofitable relationships and products'.

What was discussed by researchers has a direct relevance to the needs of Jordanian banks. To give an example, it was mentioned by many credit managers that the construction sector was in decline due to the economic situation Jordan was going through. They continued to say that their managements asked them to stop extending credit facilities to

contractors. However, credit managers believed this does not mean that there were not still profitable clients in the construction business! But without profitability analysis it cannot be resolved either way.

5.13.3 Focus of MAS Reports

Another characteristic is the focus of the MAS reports used in JCB. In the PB case study only 23 % of the managers who talked about the issue of reports' focus said the reports they received had a planning and decision-making focus. A majority of PB interviewees [77%] mentioned that the MAS reports they received were for feedback control purposes and were specific and narrow in focus [see discussion in Section 4.12, Characteristics and Design of MAS Reports at PB]. JCB showed a similar pattern though with higher percentages. [See Exhibit 5.25, Characteristics of MAS Reports in JCB].

The majority of reports focus on feedback control which showed from the survey data, with 90% of the respondents finding MAS reports mostly 'historical' or 'all historical' [see discussion in section 5.13.4, Time Horizon of MAS Reports]. The pattern also showed the need for non-financial information (93%) [Section 5.13.4, Time Horizon of MAS Reports; Exhibit 5.36, Need for Non-Financial Information], which respondents would have used for planning and decision-making [Exhibit 5.35, Uses of Non-Financial Information], had it been available.

The survey respondents' answers also showed that MAS reports were more helpful in control (60%), and that 47% actually received information on the external environment [Exhibit 5.10, MAS Reports on the External Environment and their Frequency], which they needed for analysing the external environment and planning [Exhibit 5.9 Uses of Information on the External Environment].

More information on the internal environment was needed (73%). [See Exhibit 5.12 Need for Information on the Internal Environment]. Ultimately, in their responses to Q 34, only 9% of the respondents found MAS reports helpful in planning.

5.13.4 Time Horizon of MAS Reports

The time horizon of the MAS reports in JCB, as in the PB case study, was consequently *ex post* as 90% of the reports were mostly historical in nature. The same characteristic was shared by PB managers: all those who received MAS reports said they were historical [see Exhibit 5.25, Characteristics of MAS Reports in JCB].

Deposit managers (88%) follow the overall pattern with just one respondent saying that, of the reports (s)he received, 'few were historical'. 63% of **credit managers**/assistant managers said the reports they received were all or mostly historical. 75% of **financial mangers** received historical or mostly historical MAS reports. However, 100% of **branch managers**/assistant managers said the reports were historical or mostly historical.

5.13.5   Orientation of MAS Reports

As for the orientation of the MAS reports, question 34 asked the respondents whether they found MAS reports more helpful in planning, decision-making, or control. A majority of 60% of the answers indicated that MAS reports were more helpful in control on the internal elements excluding the banks within their external environment [Exhibit 5.37, Role of MAS Information in Planning, Decision-Making & Control]. The same orientation was also noted at PB where all reports dealt with feedback control [Section 4.12, Characteristics and Design of MAS Reports at PB].

I also asked the respondents in question 21 about the information and /or MAS reports they accessed via their PCs through computer networks. The answers also pointed overwhelmingly towards feedback control with 91%, followed by short-term decision-making (75%), and lastly planning (55%). [See Exhibit 5.26, The Role of IT System in MAS]. However, opinions differed by functions with 25% of credit and branch managers finding them helpful in planning.

5.13.6   Frequency of MAS Reports

The users of the reports said that the frequency of the reports did not suit their needs, as data should be timely and relevant, which agrees with (Cleland, 1997, p. 22).

'...Some information I get late...so I have to set different scenarios...this affects my work adversely...the timing of information is important' (interview 24).
A second manager remarked on the delay of reports and what that meant to him,

'There is some delay in receiving information...planning is an ongoing process' (interview 8).
And on decision-making:

'I do not receive full information...I get old reports I cannot use for decision-making' (interview 12).
MAS reports were periodic as were the reports at PB. But 47% of the survey respondents said they needed *ad hoc* in addition to periodic reports [Exhibit 5.10, MAS Reports on the External Environment and their Frequency].

Exhibit 5.37

331 A

Role of MAS in Providing Information for Planning, Decision-Making, and Control in Jordanian Commercial Banks

MAS Information on the external environment

Decisions on
Goals

MAS Information
on the internal
environment

Decisions

Decisions

on Control

on plans

MAS
information
on the external
environment

MAS
information
on the external
environment

Decisions on
Implementation

MAS Information on the external environment
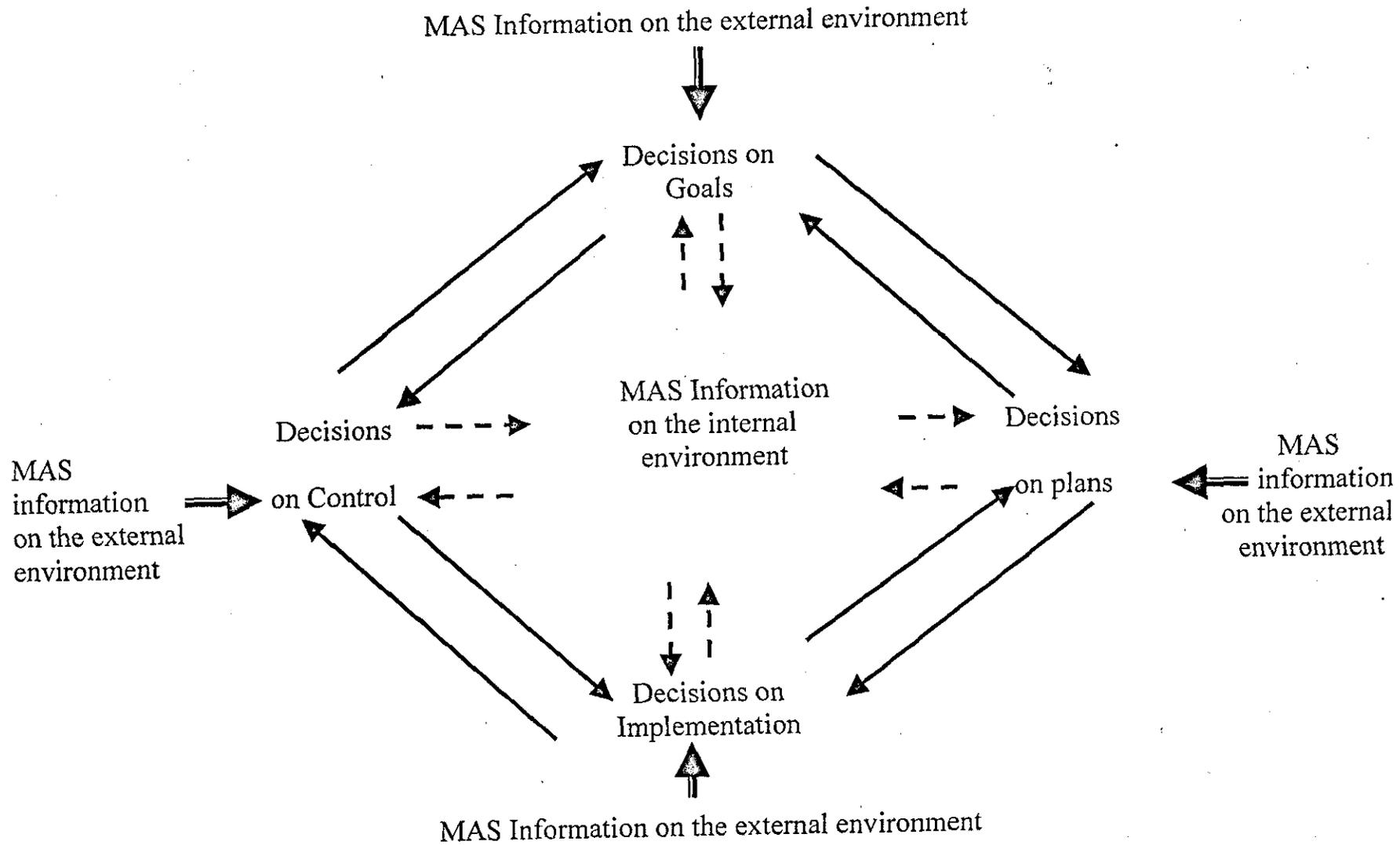
Similar findings were reporting by Pierce & O'Dea (2003, p. 273) on the needs of managers for information 'that is more timely, broad, flexible and in better format than at present'.

Otley (1985, p. 6) writes on how the frequency of reports addresses the needs of users of reports:

> 'Accounting for decision-making involves the use of financial information, often collected with the specific decision in mind, on an ad hoc and non-routine basis. By contrast, accounting for control involves the regular production of general purpose information, designed to alert managers to situations where events may be deviating from previous expectations'.

Granlund (2001, p. 150) agrees with what the interviewees complained about, and remarks that 'standard reporting procedures usually take most of the accountants' time, and involve generating reports that seldom receive much attention in executive meetings'.

5.13.7 Managers' Participation in MAS Reports Design

To gain an understanding of what and who influenced the design of MAS reports, question 23 asked to what degree did each respondent influence the design of the reports in terms of form and content? The respondents were split: 38% said their influence was either 'marginal' or 'non-existent'; 34% said that their influence was 'substantial'; and 28% 'participated equally with the designers' [see Exhibit 5.38, Participation in MAS Reports Design]. In the case study 10 out of the 13 managers [77%] who received MAS reports said the compilers of the MAS reports designed them, and only 2 managers [15%] said they designed the reports they used.

Exhibit 5.38
Survey Interviewees' Participation in MAS Reports Design

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Substantial contribution to design Overall percentage 34%	37%	37%	37%	25%
Equal participation with designers Overall percentage 28%	25%	25%	50%	12%
Marginal/no participation Overall percentage 38%	37%	37%	12%	63%

Then those who said that their participation was non-existent or marginal were asked in what ways non-participation affected their work. The most frequently given answers were:

(1) They suffered from delays, as reports did not offer the degree of accuracy or flexibility needed. *'(W)hat reports I receive are useless' (interview 18).*

(2) The reports did not meet decision-making needs.

As can be seen in the following comment, *'until now I am not able to take decisions I am happy with, due to the absence of an information system...MAS reports do not serve my purpose' (interview 12),* and *'The people who prepare the reports do not know what we need as they do not get feedback from us' (interview 29).*

(3) Affected their ability to control.

'by participating I would get better security controls' (interview 14).

(4) The information did not have the needed time horizon, detail, and comprehensiveness.

'Backward-looking reports are not useful...in setting goals that are in harmony with the bank's strategy (interview 15). And, 'I do not receive full information...I get old reports I cannot use for decision-making' (interview 12).

I would like to point out here that, during the interviews, I noticed that more senior managers would say they contributed equally with the report designers whereas managers at a lower hierarchical level said their contribution was substantial [Exhibit 5.39, Participation of Survey Interviewees According to Position in their Banks]. However, when 38% said they did not participate or that their participation was marginal, this fact partially explains the high percentages of dissatisfaction with different aspects of MAS reports. Another possible explanation is that decisions on data to be included in the reports and organisational structure were beyond the interviewees' powers.

Exhibit 5.39
Participation of Survey Interviewees According to their Position in their Banks

(N=30)	Assistant general managers (n=4)	Departmental managers (n=16)	Branch & assistant departmental managers (n=10)
Substantial contribution	25%	31%	30%
Marginal /no contribution	--	44%	60%
Equal contribution with the designers	75%	25%	10%

Analysed data from the survey showed that 38 % of the respondents did not participate in the design of MAS reports. However, the participation of the majority of the respondents did not reflect itself in higher satisfaction with the reports. The dissatisfaction was found in many aspects throughout the discussion, in terms of format, orientation, and time horizon for example. A possible explanation is that participation has an impact on the extent to which MAS reports cater to the users' psychology but that, on its own, it does not lead to greater responsiveness to the users' needs. Culture and management style dictated organisational structure, and the availability and diffusion of information and these matters are beyond participation and beyond the authority of the managers interviewed in the four functions.

King & Cleland (1975, p. 287) and Wetherbe (1991, p. 62) discussed how crucial it is to involve users of information systems on a continuous basis. Wetherbe (1991) believes that 'the mistake typically made in requirements determination is that managers are not allowed to determine and refine their conceptual requirements into detailed information requirements through trial and error'.

However, Spicer & Ballew (1983, p. 91) warn that participation is not likely to improve the quality of decision-making except when there are synergistic effects. Nevertheless, Spicer & Ballew continue to say that participation mitigates conflicts among managers and improves the atmosphere as well as leading to a rather important state of commitment to overall firm objectives. Roslender (1992, p. 139) quotes Hopwood (1974) in saying that 'only the most naïve observer could feel safe in the view that participative approaches are always more effective than authoritarian styles of management. Participation may raise morale but this is not the same as raising efficiency and productivity. In other words, there are no panaceas, there is no "one best way', the very essence of contingency thinking'.

Deposit managers and **credit managers** had exactly the same pattern as the overall percentage (37%) of those who substantially contributed to MAS reports design, whereas 12 % (1 respondent) of the **financial manager** said (s)he was never consulted, but 63% of **branch managers'** contribution was marginal or non-existent [Exhibit 5.38, Survey Interviewees' Participation in MAS Reports Design].

Deposit managers said it affected their efficiency as: (1) the reports had duplications; (2) did not provide the flexibility needed for manipulating data; (3) reposts were not detailed or comprehensive enough.

Credit managers said, had they participated they would have: (1) included other types of information; (2) less restrictive reports; (3) saved time and effort; (4) and did not have the feelings of frustration and disappointment they were experiencing.

'A lot of the reports are general in nature...so I do not seriously look into them' (interview 29).

The above comment agrees with what Simon (1977, p. 126) writes on designing an information system: 'a major task of an effective information system is to filter information, not to proliferate it'.

The one financial manager who was never consulted in the design said his participation would have meant: (1) better quality of report; (2) included different types of information; (3) more detailed and comprehensive information.

'I inherited the reports I receive from the previous manager...we need to update the reports...the quality and components would then be more detailed and more comprehensive' (interview 15).

Exhibit 5.40
Effects of Non-participation in MAS Reports Design In JCB

Times mentioned	Effect	DM	CM	FM	BM
8	Delays work	2	2		4
1	Inaccurate reports				1
4	Inflexible reports	3	1		
4	Does not meet decision-making needs		3		1
1	Does not meet control needs				1
1	Does not meet planning needs				1
3	Reports lack detail		1	1	1
2	Incomprehensive reports			1	1

Branch managers said their non-participation had affected: (1) the quality of their decisions; (2) the quality of their control; (3) the ability to get comprehensive information; (4) the accuracy of information; and (5) the absence of reporting by exception. [See Exhibit 5.40, Effects of Non-participation in MAS Reports Design in JCB].

Managers of different functional areas and managers at different levels in the hierarchy have different agendas (as can be seen in the discussion above and in the comments of the respondents). Consequently, the better adapted the design of MAS to those needs, the better the achievement of their goals and the bigger the contribution to OE. Similar

findings are reported by Pierce & O'Dea (2003, p. 261) and Mia & Chenhall (1994, as quoted by Pierce & O'Dea, 2003, p. 261) on different perceptions of usefulness of information by managers who undertake different activities.

Naturally the managers in the different functional areas in the survey did not act in isolation: their goals, plans, and tasks were interrelated as some of the interviewees made it clear that they need to know about what was happening in other departments. In the credit department they needed to know the structure of deposits. They wanted to know about new products and any changes in existing products in other departments or even sub-departments. All this calls for the cross-functional determination of information from all decision-makers in departments and sub-departments (Wetherbe, 1991, pp. 55, 64; Bouwens & Abernethy, 2000, pp. 221-222; Gross 1965, p. 8; Reid, 2000, p. 428).

Bouwens & Abernethy (2000, p. 221) write that customisation 'requires the implementation of a sophisticated information system to ensure that managers have the information necessary to cope with continual changes in product design and processes'. The implementation of a strategy of private banking, which Jordanian banks are following suit international banks, puts more pressure on the design of MAS in JCB.

It should be quite expected that, if MAS continue to have a role in enhancing OE, the design of the system needs to evolve continuously (Wetherbe, 1991, p. 64). However, it should not be believed that the system would be fully predictable or tightly controlled (Gross, 1965, p.196-197).

In the PB case study it was very clear in the interview with the general manager that the MAS reports which he received were long, had more details than needed. and contained irrelevant information for the areas investigated. Emmanuel et al. (1990) observe the shortcomings of information provided by information system:

> 'As any accounting system is an imperfect tool, it is the way in which senior managers make use of the information that will determine response of others in the organization, it is thus important that both accounting systems designers and senior managers are aware of both the technical limitations of accounting measurement procedures and the likely effects of the way in which managers use accounting information' (Emmanuel et al., 1990, p. 186).

5.14   The Use of Computers in MAS in JCB

The importance of computers in collecting, processing, and diffusing information was discussed by many researchers (Hall, 1972. p. 33; Simon, 1977, p. 12; Bariff & Galbrith 1978, pp. 18, 25; Langford, 1979, p. 53; Lewin & Minton, 1986, p. 527; Burns & Stalker, 1994, p. 19; Christiansen & Mouritsen, 1995, p. 216; Ashton et al., 1995, p. 3; Lau & Chan, 1998, p. 165; Reid & Smith, 2000, p. 435; Helliar et al., 2002, p. 32) to mention

but a few. This section looks into the use of computers in MAS as nowadays being the main means for collecting, storing, processing, and transmitting information in MAS in addition to being one of the factors that influence its design.

In the PB case study only 33 % of the managers who addressed the topic were satisfied with the support which the IT system gave them [Section 4.13, The Use of Computers in MAS at PB]. The main reasons given by PB managers were the unresponsiveness of IT systems to their needs, and lack of qualified IT staff.

The IT system was used at PB as a data processing system and as an 'information silo' with no cross-functional information or analysis apart from comparison of the current periods with a previous one or with a budgeted figure. It was also found that some managers were not quite comfortable with integrating computers into the way they carry on their work.

The use of IT systems in providing information, whether in report form or by stored data on the system was investigated in questions 21 and 22 in the survey interview guide. More than half of the respondents (55%) replied that it was helpful in planning, although in the case of credit and branch managers it was 25%: 75% who said it was helpful in decision-making, while 90% said it was helpful in control [Exhibit 5.26, The Role of IT System in MAS].

However, if we look at the replies of the managers in each function again we find the respondents split along the same recurring pattern: 88% of the **deposit managers** said that having MAS reports and information available to them through their PCs helped their work in planning, and 100% in decision-making and control.

A small percentage (25%) of **Credit managers** found MAS information provided on-line helpful in planning, but 75% found it helpful in decision-making and 100% of the credit managers [all 8 respondents] found it helpful in control.

Most of the **financial managers/controllers** [72%] said 'yes' - MAS information made available through their PCs was helpful in planning, and 83% found it helpful in decision-making and 72% in control.

Branch managers showed the same pattern as the interviewees in the other functions that what was available was least helpful in planning [25%], but 75% found it helpful in decision-making and 100% in control.

In question 22, I wanted to know more about what they found to be missing in the system, which was important to them in order to be able to carry out their work satisfactorily. The frequently given answers were [Exhibit 5.41, Elements MAS Needs in IT System]:

337

Exhibit 5.41
Elements MAS Needs to Have in the IT System to Provide Support for Planning, Decision-Making and Control in JCB

	Times mentioned	Element
1	9 times	Integration of software
2	7	Comprehensive network
3	7	Detailed information
4	6	Well-developed system
5	6	Easier and quicker access
6	4	Qualified IT staff
7	3	Clients' profiles and profitability
8	3	Data warehouse
9	2	Flexible system

(1) The need for **a comprehensive network,** (mentioned 7 times by respondents)

'I need an on-line system to know if there is a problem in any of the branches...this would help in dealing with the problems' (interview 15).
And '...I cannot get the information from my PC as it is not part of the network' (interview 6).
And: *'Top management does not believe I need a PC in my office' (interview 12).*

Some of the banks in the population's branches and departments were not networked.

(2) The need to get more **detailed information** and not reports showing a summary of figures (7 times).

'...The printouts do not deal with individual clients - something I need this for credit decisions' (interview 6).

(3) The need for **easier and quicker access** to information as the currently used systems were not as user-friendly as the users needed them to be in some banks (6 times).

(4) The **capabilities of the IT system** were **under-used** in JCB: *'we just use 40-45% of IT capabilities' (interview 6), and 'a lot of the capabilities of our IT system is not used' (interview 22).*

(5) The need for more **developed computer systems** to handle more complex situations in more complex environments (6 times).

(6) Respondents talked about their **need for information on clients' profiles and profitability** (3 times).

'I need information on profitability and clients profiles without going through paperwork and statistics' (interview 4).

This need is of significance as discussed earlier [see Section 5.12, Characteristics and Design of MAS Reports] due to the growing need for customisation and the change in markets and economic situations.

(7) The need for a **data warehouse** (3 times). It has been a subject of debate by researchers that managers need to scan information of a wide-scope and nature (Wetherbe, 1991, p. 52; Vandenbosch & Huff, 1997, p. 83). In answer to Q 22 on how the interviewees envisaged the IT system could be more helpful to them, the need for a data warehouse was one of the things the managers aspired to have as it provides them with the opportunity to find out what they needed and for what use it would help them.

(8) The need for a **flexible computer system** (2 times) as was explained by one of the interviewees:

' We buy ready made programmes so we adapt the systems to suit our needs which means imposing some restrictions on what we can do (with reports) (interview 30).

At times managers needed to do their own analysis in addition to supplement what is periodically provided to them. This type of analysis is important in planning and decision-making where uncertainty exists. Uncertainty is a fact of business life and managers need systems that are less structured to deal with unstructured situations (Driver & Mock, 1975, p. 492).

(9) Need for better **qualified IT staff** who can use the system's capabilities more fully (4 times).

(10) To **integrate the different software packages** (mentioned 9 times). JCB use different packages to serve different aspects of banking activates, which were purchased at different points in time that need to be connected by gateway links. The problem, as discussed earlier on this page in the quotation from interview 30, is that the packages were not linked and information in any one package could not be accessed from another.

This is important to save time, avoid re-keying data and cutting down errors as a result (Mabberley, 1992, p.110). Furthermore, integration helps in giving users a better overview of a situation for planning, decision-making and control.

Looking at the individual functions, three of the **deposit managers** said they got what they needed from the computer system [Exhibit 5.26, The Role of the IT System in

MAS in JCB]. The most frequently mentioned ways in which the system can be more supportive to the other five managers were:

(1) to use the capabilities of the system more efficiently (2 times);

(2) to integrate computer packages by gateway link (1 time);

(3) to have all users on-line and be able to share information amongst them (2 times);

(4) to reduce number of employees and paper work (1 time);

(5) improvement in the capabilities of the IT staff (1 time).

Credit managers' answers were:

(1) the need for integration within the system to provide more detailed analyses on a product and client level that are under the control of different sub-departments, and on other departments' work (5 times) as the absence of that affected their work negatively;

(2) the need to have clients' profiles centrally available to all users (1 time);

(3) the need for using the system's capabilities to the full (1 time);

(5) provide more training to IT staff (1 time);

(6) to be more helpful in control and provide information on each credit officer's performance and on accounts that exceed their credit limits

(2 times).

One **financial manager** said *'I have all that I need' (interview 9)*. The others most frequent needs were:

(1) easier and quicker access to getting information (3 times);

(2) an integrated comprehensive system with all packages linked to one another (3 times);

(3) need for a data warehouse (1 time);

(4) on-line network (1 time);

(5) flexibility in the system (1 time);

(6) better qualified staff (1 time);

(7) new software for specialised procedures (1 time).

Branch managers agreed with much of what the managers in the other three functions said. The improvements they wanted to see were:

(1) a more comprehensive system (3 times);

(2) the need to develop the system to provide more information internally and through getting access to the Internet and Reuters financial information (3 times);

(3) more controls, better response time, and eliminate duplication (3 times);

(4) more features (3 times);

(5) easier access (1 time);

(6) develop staff capabilities (1 time).

Findings from the PB case study indicated that MAS design was influenced by the technology used. What applied to the case study applied to the survey population. In both cases the manner in which information was collected and disseminated was greatly influenced by the use of computers in JCB and any new developments in this field and will continue to be so. Nowadays more banks have (or are working towards) the networking of branches and departments, creating databases, and making use of new packages to communicate information internationally and nationally. Among other MA researchers Christiansen & Mouristen (1995, p. 216) express a similar view that could apply to all organisations globally:

'Computers play an important role in storing, processing, analysing, and channelling information in MAS as well as in other aspects of organisational life. In fact computers have become a critical factor for the survival of the firm'.

IT systems supply the basis for accounting and information systems. Information systems have revolutionised financial services and hence increased the diversity and complexity of the services offered (Lau & Tan, 1998, p. 165). They also affected organisational contexts by changing the power structure between those who are providing data (the compilers and the movers) and those who are able or allowed to access and decipher information (Christiansen & Mouritsen, 1995, p. 220).

This was evident in the responses of the interviewees, who talked about those new power centres that centralised information, as commented on in interview 9: *'90% of reports come from the finance department'*. [See similar opinions in PB case study in Exhibit 4.5, List of MAS Reports Prepared by IT Department].

This decreased the effectiveness of MAS in achieving better OE by negatively affecting planning (63% of the respondents), decision-making (54%) and control (59%). [See Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics].

However, as Simon (1977, p.118) and Helliar et al. (2002) observe, that centralisation might be unavoidable:

'With the rising dependence of IT systems comes the rise in costs for state-of-the-art levels. This in turn may lead to the need for centralisation if savings are to be secured' (Helliar et al., 2002, p. 32).

Bariff & Galbrith (1978, p. 17) believe otherwise that the use of computers has led to the decentralisation of responsibilities and reducing the 'monopoly top managers previously held' although it may lead to centralised data processing. This did not come out clearly as interviewees complained about being unable to access information about sub-departments within their departments as well as other departments [discussed in Section 5.10, Diffusion of Information in JCB]. This indicates that there were other factors working against the decentralisation of responsibilities. The influence of the cultural factor and management style might be such a factor [see discussion in Section 5.28, Cultural Effects on the Diffusion of Information in JCB] where the culture in Jordan is described by Hofstede (1991, p. 35) as a 'high power distance' culture were power is centralised in few hands and subordinates are expected to be told what to do.

A second factor might be the man-machine interface where computerisation in banks - and in all aspects of Jordanian life- is relatively new, so top and senior managers still hold to their old style of work. The weak man-machine interface was discussed by the managers interviewed in the case study. The only mention of it in the survey interviews was when an interviewee commented:

> 'We need to qualify head office departments first to be able to use the IT system' (interview 18).

The managers interviewed complained about lacking information and the unavailability of detailed information but:

'I need such reports but I do not want to be flooded with paper...but without information I cannot survive' (interview 13).

With the capabilities of automated information it is easy to get inundated with information, which also makes effective decision-making impossible (Langford, 1979, p. 54; Burns & Stalker, 1994, p. 19).

In the case study 33 % of PB interviewees were satisfied with the support which the IT system was giving them. In the survey population the lack of support mostly centred on planning and long-term decision-making [see Exhibit 5.26, The Role of the IT System in MAS in JCB]. The kind of support the survey interviewees looked for poses quite a challenge for IT staff at the banks. Hellair et al. (2002, p. 32) comment that more and more computer systems are infiltrating the work of banks and higher and higher the costs are rising almost in the footsteps of salaries. However, when I asked the respondents to identify the main reasons that affected the quality and quantity of information in MAS

reports, cost came as reason number four preceded by the IT system itself used, the lack of a well-designed information system, and the lack of institutions specialised in researching and providing information. Management style was one other reason given, along with qualifications of the IT staff.

PART III   THE ROLE OF MAS IN PLANNING AND DECISION-MAKING IN JCB

A number of findings surfaced from the PB case study concerning the role of MAS in planning and decision-making. Those findings were the basis for the questions asked to the survey interviewees. This part analyses and discusses the answers of the interviewees on the case study findings.

A number of characteristics made MAS at PB have a backward emphasis as opposed to having a forward outlook. This reflected on the kind of support users of the system received for planning and decision-making. In looking at MAS in the survey population, I follow the same findings as a framework for the following analysis and discussion:

1. Identifying corporate goals vis-à-vis stakeholders
2. Departmental goals aligned with corporate goals
3. Sufficient relevant information on which to base future plans
4. Diffusion of information across the organisation
5. Clear and open channels of communication in all directions.

5.15   *Identifying Corporate Goals vis-à-vis Stakeholders*

It was argued in the PB case study that an organization needs a sense of direction if it is to serve management in achieving better planning and decision-making [see more discussion in Section 4.15.2, Corporate Goals at PB; and Section 5.9.1, Goal-Setting in JCB]. This is supported by many researchers (e.g. Seashore, 1965, p.26; Cunningham, 1977, p. 465; McNair et al., 1990, p. 34; Mabberley, 1992, p. 101; Gordon & Di Tomaso, 1992, p. 795; Palmer 1992, p. 182; Kaplan & Norton, 1996, p. 80, among others).

Setting corporate and department goals is beyond the domain of MAS. However, what is argued is that, for the MAS to provide support and information to its users who ultimately seek to achieve corporate goals, and then MAS can only help in the attainment of OE by providing the information and support that could lead to the achieving corporate goals. It is also beyond the scope of this study to measure the plausibility and suitability of the corporate goals of JCB.

343

5.16   Departmental Goals Aligned with Corporate Goals

The findings of the case study showed that 53% of PB managers were not involved in planning for their departments [Section 4.15.3, Departmental Goals at PB]. The PB case study findings indicated that the lack of alignment between corporate and departmental goals and managers' individual goals affected planning and goal achievement. In the survey it was revealed from the responses of the interviewees that 50 % of the respondents were informed about corporate goals *en passant* and some as late as December or January [see Section 5.9.1, Goal-Setting in JCB; Section 5.18, Clear Financial and Non-Financial Goals for Managers in JCB].

What followed from the manner in which the interviewees knew about the corporate goals was that 50% of the department and branch managers were not actively involved in setting departmental /branch goals, as was the case with 53% at PB. Some of the interviewees' answers can explain it:

'I have not got any targets to meet. Management has decided to cut down on corporate credit'. (interview 29).
And: *'Branches' goals are set by top management and not by me'. (interview 12)*

And: *'The financial analysis and control department sets future plans for the whole bank' (interview 30).*
As discussed earlier in Section 5.9.1, Goal-Setting in JCB, some financial managers said they did not have goals for their departments: *'a financial department has no goals of its own '* (interview 8). A similar approach was found in PB where only branches and revenue-earning departments had goals to meet. In spite of the important role which the finance and computer departments have in the design and operation of MAS and in supporting other departments to enhance their performance, the financial and IT departments did not in the majority of the banks have set goals to achieve nor did they have similar means to monitor their performance and achievements.

It was also discussed earlier [Section 5.14, The Use of Computers in MAS at PB] that a frequently-mentioned reason for the dissatisfaction of the respondents with the reports and, in particular, the credit and branch managers, was the need for the more effective use of the IT system capabilities [Exhibit 5.41, Elements MAS Needs to Have in IT System to Provide Support for Planning, Decision-Making and Control in JCB].

5.16.1   Effects of the Goal-Setting Process on Planning and Decision-Making in JCB

To ensure goal congruence and the alignment of corporate goals, an effective goal- setting process needs to be adopted. Goals in JCB were set centrally by top management in a top-

344

bottom direction [Section 5.9.1, Goal-Setting in JCB; and Section 4.15.5, Goal-Setting Process at PB]. This resulted in a number of difficulties that were discussed by the interviewees, such as a lack of conviction by the managers in the goals they were asked to achieve, which would have a substantial effect on the role MAS which can play in enhancing OE.

The goals were either too difficult or too easy to achieve, as can be seen in the following:

'Our line of work is risky so we are happy with the targets set by management' (interview 16).
And: *'We are able to achieve our goals for 2002 by June 2002' (interview 15).*
And : *'We always set targets above our capabilities so we feel that they are not easy to achieve' (interview 23).*

5.16.2   Conflict between Departmental/Branches' Goals and Corporate Goals

An overall percentage of the survey interviewees of 40% said there was a conflict between the two. This percentage would have been much higher if it was not influenced by the financial managers where all of the eight managers [100%] said there was no conflict [Exhibit 5.7, Goal-Setting Process in JCB].

Some of the interviewees commented on setting departmental goals:

'Top management is not really clear about what they want' (interview 15).
And: *'I was never consulted in setting the goals of the department ...but I try to work and follow the team' (interview 19).*
Those who found no conflict between the two as *'departmental goals are subordinate to corporate goals'* [Exhibit 5.7, Goal-Setting Process in JCB; and Section 5.9.1, Goal-Setting in JCB] or as one manager explained it:

'The corporate goal is to maximize profits and we [his department] contribute 96% of the bank's profits' (interview 4).
A further reflection on misalignment of goals was found when interviewees were asked in question 8, whether their interpretation of changes in the external environment differed from that of top management, 47 % said 'yes' and another 17% said 'at times' totalling 64% (25% of deposit managers, 63% credit managers, 88% of financial managers, and 75% of branch managers).

Weick (1977, p. 218) explains that 'environment is located in the mind of the actor and is imposed by him on streams of experience'. Each of the interviewees had his/her interpretation imposed on his/her experience many times removed from that of top management. First, as most did not get what information they needed (60%) through formal MAS channels, they were not fully aware of management's interpretation. Second, the interviewees got information through personal means and formed their own opinions.

Thirdly, channels of communication and committees were not adequately activated within the banks and there was no effective exchange of ideas among managers [see discussion under the role of committees in Section 5.17.1.5]. On top of that 50% were not involved in setting their departmental/branches' goals. Consequently, this could very well result in managers and management each pursuing his/her interpretation in a different direction with the probability of not meeting along the way.

Then I asked the interviewees in question 8 whether their interpretation of the external environment differed from that of top management: 63% said 'yes' it differed, or so at times (25% of deposit managers, 63% credit managers, 88% of financial managers, and 75% of branch managers). When I asked about the reasons their interpretations differed, the most frequently given answers were:

[1] management had information not available to the interviewees

    [mentioned 5 times];

[2] each had a different perspective [6 times];

[3] difference in education, background, and work experiences [4 times].

This percentage is quite high keeping in mind that almost three quarters of the interviewees were part of senior management and one quarter were middle managers [Exhibit 5.3, Distribution of Survey Interviews according to Position] and all the topics they mentioned affect OE, and the role of MAS in enhancing OE.

In question 9 fifteen respondents said the difference affected them in various ways [37% of deposit managers, 50% of credit managers, 75% of financial managers and 25% of branch managers] and some just said it affected them or did not affect without explaining why.

The ways in which different interpretations affected their efforts in achieving corporate goals were specified as:

[1] frustration and confusion [mentioned 3 times];

[2] losing clients [2 times];

[3] unsatisfactory work [2 times];

[4] quality of planning and decision-making [1 time].

What was said agrees with our findings in the PB case study where in the absence of information provided by MAS on the external environment, managers acted solely upon their personal interpretation of the changes in the variables, which might not be in unison with those of top management.

346

Looking at some of the answers of those who said the difference in interpretation did not affect their efforts in achieving corporate goals in turn gives some insight into the process of communication in the banks:

[1] *no effect as approval comes from top management'* [interview 20, mentioned11 times];

[2] managers discuss matters with management [mentioned 10 times];

[3] we learn from top management [1 time].

It is interesting to note that open channels between the levels of management had a positive impact on the interviewees. The difference in interpretation of changes in the elements in the external environment, in addition to the conflict in goals, gives some insight into the fact that PB and other JCB showed goal incongruence, which is a source of strategic misalignment, particularly when this was coupled with asymmetry of information [as discussed in Section 5.17, Adequate Diffusion of Information across JCB].

5.16.3 Disagreement between Corporate and Departmental/Branches' Goals and Individual Goals

More than one third (37%) of the respondents felt there was a disagreement. Again the overall percentage was considerably influenced by deposit managers of whom only 13% said there was a disagreement whilst the other functions showed 63% and 50% non-correspondence [Exhibit 5.7, Goal-Setting Process in JCB]. The results of the disagreement between corporate and departmental/branches' goals and individual goals as described by them were demoralization, demotivation, and setting lower targets for themselves, which in turn would affect productivity and OE.

'I feel disappointed that my personal goals do not correspond with my departmental goals' (interview 19).
This describes what is discussed by the survey interviewees and more clearly so for credit, financial, and branch managers as it describes what was found at PB.

5.16.4 Sufficient Relevant Information on which to Base Future Plans

All the respondents' replies indicated that they needed external type of information: an overall percentage of 73% needed more information on the internal environment, and 76% said they needed wide scope information. The uses to which they would put that information were planning (new markets, setting goals, improving decision- making). [See Exhibits 5.8, Need for Information on the External Environment in JCB; Exhibit 5.9,

Uses of Information on the External Environment; and Exhibit 5.12, Need for more Information on the Internal Environment].

However, 63% said they did not actually receive that sort of information through MAS reports, or only received it 'to some extent'. Again here the overall percentage was brought down by deposit managers of whom 63% said they got the information through MAS. In the meantime credit and branch managers showed a very low percentage of 12% and 25% [Exhibit 5.42, Forward Looking Information in MAS].

Some of the respondents commented on the quality of information they received, such as:

'The financial department provides contradictory information due to the lack of coordination between two senior managers' (interview 6).
And: *'We have to rely on a direct sales approach to collect what information we need' (interview 27).*
And, as one respondent who was exasperated from lack of information: *'I wish I could get background information even on rates of exchange' (interview 28).*
One branch manager in desperation with the lack of information said:

'Until now I am not able to take decisions I am happy with due to absence of an information system...MAS reports do not serve my purpose' (interview 12).
And: *'There is a gap between top management and middle management...they are not convinced of the need for such information...Top management is willing to sacrifice efficiency for secrecy' (interview 11).*

Exhibit 5.42
Forward Looking Information in MAS Reports

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Did not get the information through MAS reports Overall average 63%	37%	88%	50%	75%

Others commented on the orientation of the information MAS provided by saying:

'They (how MAS reports serve in planning and decision-making) serve decisions on daily transactions' (interview 2).
And, *'they tell me where I stand' (interview 4).*
The interviewees were also dissatisfied with the information on the internal environment they received through the formal reporting system. 73% of the respondents said they needed more information than that they were provided with and they needed it for planning and decision-making [Exhibit 5.13, Types of Internal Information Needed by the Survey Interviewees; and Exhibit 5.14, Types of Internal Information Provided to the Survey Interviewees].

By saying more the respondents meant different types of information than the kinds with which they were provided [see more discussion in Section 5.9.2.4, Information on the Internal Environment], and can be sensed from the explanations given below:

(1) '...*detailed information is needed for planning...planning is not taken seriously in the bank*' *(interview 18)*.

And, '*a lot of the reports are general in nature...so I do not seriously look into them*' *(interview 29)*.

(2) '*MAS reports I receive do not contain enough non-financial information...if we are talking about large amounts (credit facilities) then we insist on getting non-financial information on the client*' *(interview 13)* [Exhibit 5.32, Uses of Financial and Non-Financial Information in JCB].

(3) '*Reporting is not comprehensive enough ...this requires of me a lot of manual work to consolidate data from different reports to produce meaningful information based on which you could make educated decisions*' *(interview 10)*.

(4) '*I get what I need but **the timing** affects me*' *(interview 24)*.

And, '*yes... but I need it (information on the internal environment) **in advance***' *(interview 2)*.

Most of the MAS reports used by the commercial banks were historical in nature (90%). [See Exhibit 5.25, Characteristics of MAS Reports in JCB]. One respondent answered when asked how would (s)he use forward looking reports, '*forward looking reports are useful in setting goals that are in harmony with the bank's strategy*' *(interview 15)*, which stresses the significance of the timing of information. A second example of the need for the provision of information for planning is the following:

'*I get what happened yesterday...for planning...I need more sophisticated reports*' *(interview 17)*.

But that was hardly available when most of the reports were of a historical nature. As Wilson & Chua (1993, p. 67) wrote:

> 'The past may help us in deciding how to proceed in the future, but there is no way in which we can influence the past, so there is a limit to the amount of effort that should be applied to it as opposed to planning for the future'.

Other respondents also believed that they needed forward looking reports for:

[1] planning and setting goals [mentioned 17 times];

[2] creating an awareness of the future [14 times];

[3] decision-making [6 times].

The majority of the interviewees (93%) responded that planning needs descriptive as well as financial information [Exhibit 5.36, Need for Non-Financial Information in JCB; and

Exhibit 5.32, Uses of Financial and Non-Financial Information in Jordanian Banks]. At the opposite end a deposit manager said *'I do not deal with descriptions...I deal with figures'*. The general pattern agrees with our findings in the case study, that MAS in JCB emphasise financial information and measures and neglect non-financial information although bankers need them. The pattern of respondents' answers emphasises what Gross (1965, p. 214) says that 'technical calculations are never enough. Over reliance upon them can lead to administrative irrationality'.

The existing MAS employed in JCB failed the interviewees in another aspect as interviewees did not get information they needed on the external environment through MAS reports. [See Exhibit 5.37, The Role of MAS in Providing Information for Planning, Decision-Making and Control in JCB]. They said it would be useful to them for: understanding the environment, decision-making, and planning for markets, clients and products [see Exhibit 5.35, Uses of Non-Financial Information in MAS Reports].

In question 34 I asked the respondents whether the reports they received were more helpful to them in planning, decision-making or control: 72% said they were more helpful in control, and 25% said they were equally helpful in the three areas. A small percentage (9%) said they were more helpful in planning and (6%) for decision-making. [See Exhibit 5.11, Functions in which MAS Reports were More Helpful in JCB]. It is interesting to note that, out of the eight respondents [25%] who said the reports were equally helpful in all three areas, six respondents were deposit managers.

Respondents did not find MAS reports as helpful in planning and decision-making as they were in control. Some of the reasons mentioned were:

'Reports are designed to control daily operations' (interview18),
'Reports were not designed to serve planning' (interview 19).

I then asked each respondent why did (s)he rank the three functions the way (s)he did. From the relevant answers given the most frequent were:

[1] *'Because my job is primarily to control' (interview15)* [mentioned 7 times].

[2] Information in MAS reports was not designed to serve planning [6 times].

[3] Information in MAS reports tells me where I stand [3 times].

[4] Information in MAS reports serves daily transactions [2 times].

What can be noted from the respondents' answers, and not only for this question, is that planning did not get as much attention from management as did control. In addition to what other researchers say about the lack of information typical of financial institutions, one explanation that contributed to this focuses on the cultural factors [Exhibit 5.29,

Effects of Social Culture on Planning and Decision-Making in JCB]. Jordan has a deterministic culture where religion and the concept of predetermined fate is widely embraced (Kirkman et al., 2001, p.23). On this Miroshink (2002, p. 527) writes that the effect of a culture can at times be played down:

'According to experience managers generally cannot view culture affecting organizations' day-to-day operations. Very often managers see themselves as beyond passport, and good organizations as beyond nationality'.

The discussion above underlines the importance of sufficient relevant information to for managers to base their future plans. However, it is worth mentioning here that with future uncertainty coupled with the unavailability of all relevant information in many instances managers have to apply an element of judgement in decision-making.

'There is nothing about an organisation that is more important than its future...Planning is as much a function of judgement as it is of information' (Wilson & Chua 1993, p. 67, p. 185).

5.17   Adequate Diffusion of Information across the Organization

Referring back to our findings in the case study on the role of MAS in planning and decision-making at PB, diffusion of information within JCB was affected by three main elements: the organisational structure, characteristics of MAS reports, and management style which are discussed below.

5.17.1   Effects of the Organisational Structure on Planning and Decision-making

The PB case study showed five elements in the organisational structure to hinder the diffusion of information [Exhibit 4.13, Elements in Organisational Structure that Hinder the Flow of Information].

From the answers of the survey interviewees it was very interesting to note the striking similarity in the elements identified by them and the ones induced in the case study from the analysis of the data see [Exhibit 5.17, Elements in Organisation Structure Decisive for Flow of Information in JCB; and Exhibit 5.19, Functions Organisational Structure of a Jordanian Commercial Bank Should Serve]. Although PB · underwent a number of organisational changes as the major shareholders and management of the bank changed over its life, the other banks were more stable in terms of ownership, management, and organisation.

5.17.1.1   Work Procedures in JCB

During the interviews at PB and from the responses of the surveyed managers, work procedures were found to be lacking, unclear, or continuously changing. Although the

interview guide did not include a direct question on work procedures, there was a more general question on the elements of organizational structure to allow more space for the respondents to discuss what they wanted to talk about. Five respondents clearly discussed the inability of the set work procedures to help in communication or coordination.

The interviewees believed setting work procedures and updating them to be important in settling matters such as who would receive which reports, and who should be informed or consulted on which issues.

But it was not possible from the data collected to know more about the work procedures at JCB other than the survey interviewees' opinions on bureaucracy [see Section 5.27.1, Cultural Effects on Bureaucracy in Banks].

5.17.1.2 Effects of Channels of Communication on Planning and Decision-Making in JCB

Our findings in the case study on the diffusion of information that is conducive to a higher level of OE stipulated clear channels of communication and a stable organisational structure with clearly delineated responsibilities and authority [see Exhibit 4.13, Elements in Organisational Structure that Hinder the Flow of Information].

Channels of communication both at PB and in the other commercial banks were criticised by the survey interviewees as discussed earlier under organisation structure [see Section 5.11.1, Elements Decisive in Organisational Structure of JCB for the Flow of Information]:

'There is some delay in receiving information...planning is an ongoing process'
(interview 8).

The shortcomings in channels of communication can be noted in a comment on a question on whether managers and top management had different interpretation of the external environment:

'We do not have an efficient channel with top management to decide whether to agree or disagree' (interview 18).

And, as commented by another assistant general manager:

'I personally believe that the flow of information from top to bottom is very important'
(interview 13).

The use of 'personally' has a special connotation in this context. The interviewee stressed it while answering the question and did not use the collective noun as if to stress his personal belief, which suggests that the same view might not have been held by others at the bank.

As discussed earlier in the chapter [Section 5.11.3, Channels of Communication], most of the interviewees did not face problems with communication channels. The 37% who faced problems with channels of communication blamed it on:

1- the nature of the organisational structure [mentioned 6 times];
2- internal politics [4 times];
3- cultural factor [1 time];
4- psychological gap between managers and top management [1 time].

On the other hand, those (63%) who said that they did not face problems said it was because of the organisational structure, the management style, and the human factor. The same reasons were blamed for the failure of channels of communication as in the PB case study on the importance of organisational structure [Exhibit 5.17, Elements in Organisation Structure Decisive for the Flow of Information in JCB] and management style within MAS [see discussion in Section 5.27, Culture Effects on Organisation Structure in JCB].

5.17.1.3   Frequent Changes to Organizational Structure

As explained in the historical background of PB [Section 4.1, Historical Background of PB], it had undergone many changes which left the organisational structure an amalgamation of the corporate cultures and organisational structures of consecutive managements. The other eight banks were more stable and none of them had similar serious frequent changes that affected the diffusion of information in PB.

Nevertheless, in the survey two respondents in the same bank commented on the changes in the organisation structure of that bank [in interviews 29 and 30]:

'...the reengineering at the bank has a negative effect on the organisational structure and on morale and work' (interview 29).
'In third world countries a manager is appointed first and then a department is created' (interview 30).

As a result it is not possible to make comparisons about changes in top management. Nevertheless, it is argued in Section 5.11.2, Delineation of Responsibilities and Authority of Departments, that JCB faced difficulties with the delineation of responsibilities and authority of departments which were unclear at times. The need for stable and well-defined responsibilities and authority was identified by 47% of the respondents as being the most important element to enhance the diffusion of information [Exhibit 5.17, Elements in Organisation Structure Decisive for the Flow of Information].

5.17.1.4 Effects of Coordination Problems on Planning and Decision-Making

When the interviewees where asked about what elements they considered to be decisive for the diffusion of information, coordination among departments and managers was the third identified element by 37% of the survey interviewees as well as by PB managers. In one of the banks it was mentioned by three out of the four managers interviewed [see Exhibit 5.17, Elements in Organisation Structure Decisive for the Flow of Information in JCB; and Exhibit 5.18 Elements in Organisation Structure Decisive for Flow of information per Function in JCB]. Interviewees believed those elements were important because of the effect they would have on the effectiveness and efficiency with which they undertook their duties.

It is quite likely that the interviewees in the different departments were describing their own experiences at work and the difficulties they faced due to a lack of coordination and the fragmentation of their efforts. A number of interviewees commented on the need for coordination among managers and departments by saying that their work complemented and depended on each other:

'the work of employees complements each other' (interview 5).

And as described in interview 3: *'the nature of banking work is institutional type work',* referring to the chain like nature of their work with each manager depending on others in his/her department as well as other departments for him/her to do his/her work satisfactorily. To take one example, for a credit department to achieve its goals it depends on deposit managers to reach certain targets, and the work of a credit control department depends on the work of the credit and legal departments in executing their responsibilities towards credit clients in terms of credit worthiness, collaterals, and setting credit limits to mention some examples.

Scapens (1994, pp. 310-311) agrees very much with what the interviewees said as 'central to productive organisation performance is coordination, and central to coordination is that individual members, knowing their jobs, correctly interpret and respond to the messages they receive'.

This sheds some light on the fact that it was not a problem restricted to the nature of banking work. Other reasons mentioned by the interviewees included:

'The financial department provides contradictory information due to a lack of coordination between two senior managers' (interview 6).

The manager in interview 4 gave an explanation for the lack of communication and coordination among managers as:

'Managers at the bank belong to different schools' and *'...more important is the human element'.*

Co-ordination gains its significance as third most frequently identified element for a process –in the interviewees' opinions- as it leads to improved planning, feedback and follow up which all, in turn, leading to an enhancement of OE [Exhibit 5.18, Elements in Organisation Structure Decisive for the Flow of Information per Function in JCB].

The lack of coordination affected the operation and role of MAS in planning and decision-making as it reflected itself in problems among departments and managers in their individual attempts to attain corporate goals and achieve OE - particularly for the very reason mentioned earlier in interview 5 and 3 that banking involves institutional type of work where no manager works in isolation of what other mangers and departments do, thereby affecting and being affected by their work.

5.17.1.5   Committees in JCB

PB management tried to overcome the lack of structure for coordination and unclear channels of communication, and centralisation of information, by an open-door policy and committees [see discussion on this in Section 4.10.7, Other Organisational Structure Elements; and Section 4.23.2, Committees at PB].

However, what came out from the answers of PB managers was that committees cannot be used effectively in Jordanian banks due to cultural reasons.

When survey interviewees were asked about committees [Q 43-44] some of the answers came as:

'If you want to kill a matter form a committee to deal with it' (interview 2).
'And: *The problem with committees...when you want to stall matters then form a committee' (interview 10).*
And: *'Culturally we do not come to committees with an attitude to discuss...you know what is said: to kill a matter form a committee' (interview 12).*
And: *'They should be used for simple decisions and for gaining approval' (interview 10).*
Chenhall (2003, p. 145) quoting Lawrence & Lorsch (1967) who 'identified a need for higher levels of differentiation to cope with diverse and uncertain environments and that this causes potential integration problems which require sophisticated liaison mechanisms (integrative personnel, meetings, rather than rules and procedures). Such a structure for unstructured problems is also discussed in Section 4.11, The Characteristics and Design of MAS at PB, in dealing with unforeseen or infrequent situations that do not fit well within rigid structures.

Building on their own experiences those interviewees said that:

[1] committees were not only unhelpful but a waste of time [mentioned 8 times out of the 15 who said that committees were not helpful];

[2] committees lacked focus [3 times].

To look at the answers in their entirety, respondents were split down in the middle, with 47 % saying they found committees helpful in their work [Exhibit 5.43, The Role of Committees in Jordanian Banks]. Branch managers were t least likely to find committees helpful to them (88%) in their work followed by credit managers (50%).

A number of the respondents commented on when and how committees would be of help to them:

1- *'Provided we have proper teamwork spirit, committees can be used to execute, achieve and discuss' (interview 23).*

2- *'If the committee gets appropriate authority its work will be successful' (interview 19).*

3- *'The set up of the committee is very important' (interview 14).*

4-*'Committees are helpful provided they have freedom to decide' (interview 2).*

5- *'Committees should not be dominated by the chairman of the committee' (interview 2)*

6- *'it all depends how management sets them (committees)...they should be used for simple decisions and for gaining approval' (interview 10).*

The points (1-5) mentioned by the interviewees suggest that the main criticism to committees was the way they were set up. There was a general agreement that credit committees functioned well in Jordanian banks and were helpful in credit decisions [see also discussion on committees in Section 5.27.2, Cultural Effects on Committees in JCB].

Exhibit 5.43
The Role of Committees in JCB

(N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Committees helpful Overall percentage 47%	63%	50%	63%	12%

In answer in relation to which activities the respondents found the committees helpful [Q44], the most frequent answers were:

[1] for joint decisions, particularly strategic decisions and decisions that call for many opinions and were ensuing responsibility is spread over the participants (18 times);

[2] exchanging experiences and giving recommendations (6 times);

[3] coordination (3 times).

5.17.1.6   Effects of Centralisation on Planning and Decision-Making

Our findings on centralisation from the PB case study indicated that centralisation of information, gatekeepers and internal politics affected the availability of information.

Centralisation of information is discussed at length in Section 5.10.1.1, Centralisation of Information in JCB. What is relevant here is that 67% of the respondents believed that there was formal centralisation of information in addition to internal politics (63%) and information gatekeepers (60%). Most of the respondents (63%) said it had a negative effect on planning, and 54% said it had a negative effect on decision-making [Exhibit 5.16, Consequences of Centralisation of Information

in JCB; and Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics]. In both cases the most affected were the credit and branch managers.

Such a difference, although in a different context, was observed by Mia & Chenhall (1994 as quoted by Chenhall 2003, p. 146) where they found 'marketing mangers used broad scope information more effectively than those in production' as marketing, compared to production, involves higher task uncertainty.

5.17.2 Effects of Characteristics of MAS Reports on Planning and Decision-making

The design of MAS involves designing MAS reports to act as tools and vehicles for the transferring and diffusion of information within the organisation. This places a special importance on the design and characteristics of MAS reports [see more discussion in Section 5.13, Characteristics and Design of MAS Reports in JCB]. However, it would be pertinent to say here that the respondents were not satisfied with the frequency of the reports. An overall percentage of respondents (47%) and, in particular, branch managers (63%) would have preferred to receive *ad hoc* reports in addition to periodic reports, as there was not much value in information after it was needed [Exhibit 5.10, MAS Reports on the External Environment and their Frequency].

In terms of their format, the reports contained predominantly financial information. When respondents were asked about non-financial information, 94% said they needed non-financial in addition to the financial information and, in particular credit and branch mangers (100%) [Exhibit 5.36, Need for Non-Financial Information in JCB].

The information in MAS reports had a control focus and the majority of respondents [77%] found them to be of limited help in planning and long-term decision-making and, in particular, credit and branch managers (88% and 63%) [Exhibit 5.42, Forward Looking

Information in MAS Reports; and Exhibit 5.11, Functions in which MAS Reports were More Helpful in JCB].

The time horizon was *ex post* with 90% of the reports being historical in nature. In contrast, when it came to planning, the interviewees needed forward-looking reports.

As for orientation, 72% found them more helpful for feedback control purposes than for planning and decision-making [Exhibit 5.11, Functions in which MAS Reports were more Helpful in JCB]. The overall percentage was brought down by deposit managers as 63% of credit managers and financial managers, and 100% of branch managers, found them more helpful in feedback control. 38 % said reports contained irrelevant information while 50%, of credit and branch managers believed they did [Exhibit 5.25, Characteristics of MAS Reports in JCB]. Credit managers were the largest group to say that reports have unnecessary detail, followed by financial managers (50%), while the overall percentage was 42%. One third of the respondents (32%) agreed that MAS reports lacked a sharp focus. On the whole, a substantial percentage of the survey interviewees found that MAS reports did not sufficiently meet their needs.

5.17.3   Effects of Management Styles on Planning and Decision-Making

Question 11 in the survey interview guide asked whether the respondents felt that top management was sufficiently committed to making information available to managers: 33% believed they were not [Exhibit 5.27, Management Commitment to the Diffusion of Information in JCB] as some of the interviewees commented (all from the same bank):

'They think what we have is enough...they believe our work is in implementing and decision-making only' (interview 29).

And, *'they believe we are processors who do not need to analyse information' (interview 28).*

And, *'top managers are members of a family or friends...so information is restricted to the close circle of family members' (interview 30).*

Taking the example of two interviewees from a second bank:

'It should be left to me to decide whether I needed the information...secrecy in an organisation is not right...as a member of the team I should be involved' (interview 19).

'Yes top management is not sufficiently committed''. As for why, *'it is our top management style...Head office puts obstacles in the way of the growth of my branch...but again I do not have the overall picture' (interview 18).*

The most frequently given answers by the branch managers interviewed 'when I asked what made them believe that their respective managements were committed to providing needed information, were:

[1]   the management style [mentioned 8 times];

[2]   management provided them with what they asked for [2 times];

[3] management was working on a database and was provided training and equipment needed [2 times].

If we contrast the above with question 12, 91% said that their respective top management believed that there was information that should not be diffused to senior managers. When the respondents were asked whether they needed the 'restricted information' for planning and decision-making, 50% of the credit, financial, and branch managers said they needed it [Exhibit 5.27, Management Commitment to the Diffusion of Information in JCB].

Furthermore, the interviewees said if the information was made available to them it would have affected the quality of their planning and decision-making, and that it would have changed their approach to dealing with issues.

All that is in line with our findings from the case study that PB managers did not get the information they needed for planning and decision-making because there were certain types of information in the bank that should not be diffused across the hierarchy. Gross (1965, p. 215) believes planning involves delicate considerations 'that may not always be publicly discussed with complete frankness'. This puts the issue to be resolved on an individual basis as a function of management style to decide what qualifies as delicate sensitive information and the evaluation of possible implications of whether or not to discuss it with senior managers.

Part IV   THE ROLE OF MAS IN CONTROL IN JCB

Our findings from the PB case study in Exhibit 4.11 on the role of MAS in control included the following:

1. unclear financial and non-financial goals for managers' activities;

2. unsuitable and clear measurement/standards throughout the stages of implementation;

3. inadequate organisational structure;

4. inadequate flow of feedback and feed forward information;

Throughout Part IV I will document replies of survey interviewees on questions that where prepared based on the case study findings. I will also compare the analysed survey information to the PB case study findings and other researchers' writings. As rightly indicated by Otley & Pollanen (2000, p. 483), 'control practices and their effects differ markedly across organisations and culture...universal findings should not be expected'.

5.18 Clear Financial and Non-Financial Goals for Managers' Activities

Earlier in this chapter corporate goals alignment with departmental/branch goals and how they corresponded to the interviewee's personal goals is discussed [see Section 5.9.1, Goal-Setting in JCB]. From the analysed data it became clear that 50 % of the respondents were not involved in setting their departmental/branch goals, and that an overall percentage of 40% felt that a conflict existed between departmental /branch goals and corporate goals [Exhibit 5.7, Goal-Setting Process in JCB], but more so for credit managers [50%] and branch managers [75%]. Furthermore, 63% of credit and branch managers and 50% of financial managers said their personal goals did not correspond to departmental and corporate goals. Lack of alignment among the three sets of goals was also expressed by the case study interviewees [see Section 4.15.3, Departmental Goals at PB; 4.15.4, Characteristics of Departmental Goals at PB].

The strategic alignment of goals is seen by Slagmulder (1997, pp. 103-104) as the:

> 'Primary purpose of management control...to ensure that the behaviour and decisions of people are consistent with the organisation's goals and strategies'.

It is argued that such a situation could hamper corporate goals achievement and OE (Reimann & Negandhi, 1975, p. 476; Kaplan & Norton, 1996, p. 76). The persisting question would be controlling what goals? It is what I discuss below as the function of control to bring about alignment with corporate goals and not to focus on feedback control and lose sight of what is the ultimate purpose of control i.e. enhancing OE.

A credit manager commented when answering the question about the areas in which MAS reports were more useful to him:

'Control is crucial to our work' (interview 25).

And a branch manager said:

'My work has more to do with control than decision-making or planning' (interview 26).

Yes, feedback control is an important function in a commercial bank and in order to achieve more effective control over credit facilities, most Jordanian banks have specialised departments to deal with credit control and follow-up. However, not all departments in the survey population had goals. Service department and *' cost centres (referring to his department) do not have goals'* (interview 1), or *'a financial department does not have goals' (interview 18).* The same attitude was found at PB where only revenue generating departments had goals [Section 4.15.3, Departmental Goals at PB].

Not having goals makes monitoring progress and measuring achievement ineffective. The difficulty in dealing with non-quantitative goals and measures should not mean their

360

exclusion. Wilson & Chua, (1993, p. 332) advocate that 'Standards can be set for non-production items so variance analysis can be carried out for non-production items', as do Emmanuel et al. (1990, p. 3) in emphasising the importance of clear control objectives for effective control. However, they note that 'in most organizations goals are ambiguous and subject to political compromise' which leads to using control in 'ensuring that agreed plans of action are implemented rather than the use of guiding objectives' (Emmanuel et al., 1990, p. 3).

In discussing control within MAS I will revisit many of the factors discussed previously in planning and decision-making [see Exhibit 5.37, The Role of MAS Information in Planning, Decision-Making, & Control in JCB]. What is of concern to us here is both organisational and operational control. By organisational or management control we mean 'the process that links strategic planning with operational control which is concerned with down-to-earth activity of ensuring that immediate tasks are carried out' (Otley, 1995, p. 46).

The goal-setting process is discussed amply in Section 5.9.1. What can be said at this point is that a number of issues raise the question about the effectiveness of MAS in feedforward control at the JCB, and consequently management control and OE. For example issues such as, the lack and/or late awareness of corporate goals [Section 5.9.1, Goal-Setting in JCB], the non-involvement of managers in setting departmental/branch goals [Section 5.16, Departmental Goals Aligned with Corporate Goals in JCB], and the incongruence and lack of alignment of the three sets of goals (corporate goals, departmental/branch goals and individual goals) that managers were entrusted with implementing and achieving [Section 5.16.2, Conflict between Departmental/Branches' Goals and Corporate Goals in JCB; Section 5.16.3, Disagreement Between Corporate and Departmental/branches' Goals and Individual Goals in JCB].

5.18.1   Financial and Non-Financial Goals in JCB

The survey interviewees who had set goals had predominantly financial ones. The annual goals were stated in their budgets and when I asked them about which activities did they budget, 80% of those who prepared budgets said they had financial targets to meet and only 29% had both financial and non-financial targets [Exhibit 5.32, Uses of Financial and Non-Financial Information and Goals in JCB].

A manager commented on his goals: *'the corporate goal is profit and we contribute 96% of the bank's profits '(interview 4).* In the case study a similar use of financial goals and

measures was found. The budgets prepared at PB included almost entirely financial measures [Section 4.16 Forms and Areas of Control at PB].

When I asked the survey respondents what types of activities they reported to their superiors and top management [Q 40], 53% answered that they reported only financial activities such as expenses, revenues, and profits. The rest said they reported on both financial and non-financial activities, although 93% of the respondents commented on the importance of non-financial information [Exhibit 5.32, Uses of Financial and Non-Financial Information in JCB].

'Non-financial information explains the financial and are indicators for the future' (interview 8).
And, *'Non-financial information explains issues that financial information does not discuss' (interview16).*
And, *'All new ideas start with non-financial information...market trends...new products' (interview 10).*
Not all **Deposit managers** had budgets, 67% (4 out of 6 respondents) of those who had budgets had only financial goals. As for what type of activities they reported to top management, 50% (4 out of 8 respondents) said they reported financial information on deposits only. Those who reported non-financial information reported information on competition, and information on clients [Exhibit 5.32, Uses of Financial & Non-Financial Information in JCB, 501].

As for **credit managers,** 83% (5 out of 6 respondents) of those who had a budget had only financial goals. The same thing applied to what they reported to top management though to a slightly lesser degree, as 63% (5 out of 8 respondents) of the credit managers reported only financial matters to the neglect of non-financial and the effect that might have on the feedback to top management. The non-financial information reported included: information on changes in the markets and sectors, and the credit position of clients.

Finance managers were responsible in most cases for preparing the banks' budget and did not have departmental budgets. The two financial managers who had a budget for their departments had only financial objectives, and 63% (5 out of 8 respondents) reported financial information to top management [Exhibit 5.32, Uses of Financial and Non-Financial Information in JCB]. They reported non-financial information such as branches' problems, departments' negligence, and tradings in the banks' shares.

Of the six **branch managers** who had a budget, 83% said they had only or mostly financial goals to meet in areas of credit, deposits and profits. 75% said they reported financial information to head office. They reported non-financial information such as any

abnormal matters, clients' opinions, and staff problems. The non-financial information three out of the five branch managers reported was concerning HR matters such as resignations or staff problems.

This agrees with what I found with PB managers [Section 4.18.2.1, Reliance on Financial Measures in MAS Information at PB] in that JCB' managements exercise control over areas that are of a financial nature and relating to the financial performance of the banks.

The emphasis on financial measures is not peculiar to Jordanian banks and the inclusion of the need for non-financial goals and measures as expressed by the PB interviewees [see Exhibit 4.11] agrees with other researchers' findings. This emphasis is discussed by researchers such as Kaplan & Norton (1996, p. 75) who draw attention to the fact that financial measures and targets 'bear little relation to the company's progress in achieving long-term strategic objectives'. Wilson & Chua (1993, p. 52) underline that 'Organisations should not only measure those outputs that are easy to quantify'. Argyris (1990, p. 503) adds that over-reliance on accounting information 'is often sold and defended as being objective and rigorous ...this claim is likely to fall short in practice'. Furthermore, financial measures tend to be backward-looking and slow to respond (Davis & O'Donnell, 1997, p. 19).

This emphasis on financial goals and on financial aspects rather than qualitative performance is a general case in organisations (Wilson & Chua, 1993, p. 316). McNair et al. (1990, p. 31), in addition to acknowledging the significance of non-financial information for performance measurement call for management accountants to help operating managers quantify and constantly update non-financial information as needed in support of improvement activities.

Notwithstanding the above, Otley & Pollanen (2000, p. 495) see that 'there is evidence to suggest that the role of budgeting as a tool of managerial control is changing...and that other, often non-financial performance measures are increasingly being used'. Such a move from financial measures could alleviate the negative effects of budgets described by Hofstede (1968, p. 80) where 'control systems have repeatedly proven to be self destroying when used in a direct, mechanical way'.

5.19 Budgets in JCB

Budgets were treated in JCB as annual plans with specific goals which are expected to be achieved within the following financial year. The overall corporate goals for the following year in terms of deposits, credit, and profits will be divided among the branches

of the bank, and each branch achieving its budgeted goals would be achieving part of the corporate goal. However, 63% of the interviewees had a budget whereas the other departments and branches did not [Exhibit 5.44, Budgets and Goals Achievement in JCB]. In the PB case study, apart from the branch managers who all had budgets, 10 out of 12 managers who discussed budgets did not have budgets for their departments [Section 4.16.1, Budgetary Control of Branches at PB].

A budget provided the measure of performance. Those who achieved their budgets benefited from the profit sharing schemes -when applied in some of the banks- or were positively appraised with what that means in terms of financial and non-financial benefits. On the other hand, those who did not achieve their budgets faced uncomfortable situations. They received attention-drawing letters from heads of departments and top management according to the situation.

Ezzamel (1990, as quoted by Chenhall, 2003, p. 137) reported that 'high environmental uncertainty was associated with an emphasis on budgets for evaluation and required explanation of variances but also high participation and interpersonal interactions between superiors and subordinates'. However, in the case of PB, high participation and interpersonal interactions between head office and branches was not clear.

The next question I asked the respondents was whether they thought that having a budget enhanced/would have enhanced their ability to achieve their goals [Q 37]. The majority of the respondents (66%) thought that having a budget would enhance goal achievement, although it was lower at 50% for credit and branch managers [Exhibit 5.44, Budgets and Goals Achievement in JCB].

'A budget motivates me to achieve goals...and to follow up on weak areas'.

On the other hand a manager commented:

'The rapid changes in Jordan make budgets redundant' (interview 4).

The most pro budget group were the deposit managers where all respondents said a budget would enhance goal achievement, followed by 63% of credit managers, then 50% of finance and branch managers.

Exhibit 5.44
Budgets and Goals Achievement in JCB

(N=32)	DM n=8	CM n=8	FM n=8	BM n=8
Had a budget Overall percentage 63%	75%	75%	25%	75%
A budget enhance/would enhance goal achievement	100%	63%	50%	50%

Overall percentage 66%				
Budgetary control tangibly improved goal achievement Overall percentage 67%	74%**	61%**	50%*	83%**

*   Out of 2 respondents who had budgets
**   Out of 6 respondents who had budgets

Interviewees faced problems with the budgets whether used as a plan with short-tem targets or as measure of achievement.

1. *'I believe that a budget should set goals but not decisions...too many revisions make me feel why budget at all?' (interview 17).*

2. *'As we are unable to predict changes budgets become redundant'(interview 4).*

Other difficulties which interviewees had with budgets included:

3. *'Budgets are prepared in October of each year which is too late and no information is made available to me for planning...' (interview 18).*

4. *'I do not even see the final copy of the budget after submitting it...I do not even have any measurements to measure my performance' (interview 18).*

5. *'I will know what I want to do, provided there are proper assumptions and follow-up' (interview 14).*

Emmanuel et al. (1990, p. 178) caution against what has been mentioned by the survey interviewees above:

> 'Standards based on what is necessary to achieve overall company objectives, although likely to represent challenging targets, suffer from the problem that they may be seen as unrealistic, particularly if the manager to whom they are given was not party to the process of setting those objectives'.

Peters & Waterman (1995, p. 14) identify among the eight attributes they found to characterise most nearly the distinction of the excellent, innovative companies:

'3. Autonomy and entrepreneurship...They do not hold every one on so short a rein that he can't be creative' (Peters & Waterman, 1995, p. 14)...

'4. Productivity through people' i.e. respect for the individual' (Peters & Waterman, 1995, p. 16).

The game of the budget discussed in the case study at PB was also present in the other JCB:

'We always overachieve...we always exceed the budgeted expenses but we are always supported by top management' (interview 27).

And, *'Look, there should be a budget so I know what to do... but if I achieve my target say 2 million dinars in a certain year, the following year they ask me for 4 million dinars' (interview 28).*

And, *'We were able to achieve our goals for 2001 by end of June' (interview 19).*

And, *'The problem with the budget is that the financial control department used to write to branches asking them to set their budgets...the problem was that the criteria were not clear...how to set goals it cannot be +10% of last year's goals...things differ from one year to another' (interview 29).*

The budgets, as in the case study, were used solely for performance evaluation and for feedback but not for forecasting [Section 4.17, Conflict of Interest in Setting Goals and the Game of the Budget Control at PB].

Relating the survey findings to the work of other researchers, Spraakman & Cheng (p. 100) see that budgets 'should not be rigid and should consider the fact that a change in condition, e.g. economic, requires a change in plans'. Otley & Pollanen (2000, p. 488) found in their empirical work that, although there was a considerably higher level of budgetary participation in their study compared to Brownell's (1982) with regard to performance, and whereas Brownell found a positive and significant result, their study found a negative, albeit insignificant result.

Brownell offered the explanation for the divergence in findings to 'the different *cultural setting'*. Brownell (1981, p. 844) summarised previous research and found that there is mixed evidence for a 'behavioural outcome resulting from participation in particular that of performance'. However, Milani (1975) and Morse & Reimer (1956) *found only a weak* link between the two, but Bryan & Locke (1967) and Stedry (1960) found a negative link (Brownell, 1981, p. 845).

Brownell (1981) writes that Argyris (1952) concluded that the key to effective performance is in participation in budgets and acceptance of budget goals and that similar conclusions were reached by Becker & Green (1962), Bass & Leavitt (1963) and Kenis (1975).

Hopwood (1972) 'found that a high budget emphasis in the superior's evaluative style was positively associated with subordinate job-related tension, and speculated that such tension would be dysfunctional for

managerial performance' (Brownell & Dunk, 1991, p. 693). Brownell (1982) found a positive relationship between participation and performance. Otley (1987) 'found that job-related tension was associated with neither a budget-based superior evaluation style nor managerial performance' (Brownell & Dunk, 1991, p. 693). Nevertheless, Otley and Pollanen (2000, p. 488) found a negative, albeit insignificant, result between participation and performance.

Different reasons were given by researchers as to why and how participation has (or does not have) an effect on performance. Brownell (1981, p. 844) referred to certain

366

personalities having an internal or external locus of control and that 'it is conceivable that role descriptions can be modified (specifically in regard to participation) to suit the individual characteristics of role occupants'. However, such differing levels in budget participation by different managers could prove to be problematic in application in Jordan. In JCB it could result in friction and rivalry among branch managers if some of them were given a more participatory role than others and trying to find the locus of control of departments and branch managers by banks' managements might not be successful. It needs to be said at this point that the majority of the interviewed managers were senior managers [Exhibit 5.3, Distribution of Survey Interviewees according to Position] and not middle managers as in the samples of most of the studies on participation discussed above. Those senior managers are expected to be more inclined to be 'internals' than having an external locus of control.

Brownell & McInnes (1986, p. 597), in a later empirical study, measured participation in budget setting, motivation, and performance but failed to confirm that 'budgetary participation, through its effect on motivation, enhances managerial performance', but they found a strong relationship between participation and managerial performance. Nevertheless, they conclude that participation, apart from its motivational effects, 'may lead to such things as the introduction of improvements, at the suggestion of the participating manager, to the organization's managerial process' (Brownell & McInnes, 1986, pp. 597-598). Brownell & Dunk (1991, p. 702) also endorsed budgetary participation 'where the task difficulty is high, budget participation serves an important information exchange role even if not matched with budget emphasis'.

Brownell & Dunk (1991) referred the divergence of findings among previous studies to the different settings in which the empirical work was conducted (Brownell & Dunk, 1991, p. 695) or different culture (Brownell, 1981, p. 845) or using different measures of variables (Brownell & Dunk, 1991, p. 694).

Lau & Tan (1998, p.180) found participation 'to be more effective in enhancing performance in high-task difficulty situations than in low-task difficulty situations' in both samples of Australian and Singaporean managers in financial institutions. Lau & Tan put the absence of divergent attitudes in the two cultures down to 'financial sector managers have wider international exposure and focus than managers in some other industries' (Lau & Tan, 1998, p. 174). The second explanation they gave was 'the gaining of educational qualifications overseas, producing a tendency toward an international convergence in the reported individualism scores through exposure to other nations and

367

international cultural influences' (Lau & Tan, 1998, p.173). This is not entirely the case for JCB as discussed in Section 4.21, Cultural Effects on MAS in Control at PB

Harrison (1992, p. 12) found a similar convergence in the samples of middle managers in both Singapore and Australia. Harrison's findings showed an absence of differences between the two samples of middle managers in the two cultures due to a compensating effect since the two cultures were opposite in both power distance and individualism, although he did not offer an explanation of the effect of job-related tension on performance.

5.20 Setting Suitable and Clear Measurements throughout Execution

Our findings in the case study showed that unsuitable performance measurements or standards were set at PB to act as benchmarks for measuring the performance and achievements of departments and managers throughout the different and continuous stages of implementation. This area was also covered in the survey interviews as discussed following.

5.20.1 Budgetary Control in JCB

Budgets served a double purpose as short-term goals to be achieved and as measures of achievement through the process of budgetary control. Question 38 asked whether using budgetary control in each respondent's department/branch resulted in a tangible improvement of goals achievement. The majority (67%) of those who had a budget and budgetary control at their banks said that budgetary control resulted in a tangible improvement [Exhibit 5.44, Budgets and Goals Achievement in JCB].

Some believed the way budgetary control was practised defeated its purpose as a result of the goals set:

'I am for budgets but not if they are imposed on me by the head office...in principle I agree that budgetary control improves performance ...but particularly as budgets are imposed on us budgetary control cannot be effective' (interview 18).

Argyris (1990, pp. 508, 509) argues that not linking compensation to output 'encourages subordinates to make their efforts visible', particularly 'where the implementation of managerial controls is embarrassing or threatening to the players' it becomes less motivating to individuals and causes automatic reaction to produce defensive reactions.

5.20.2 Performance Evaluation in JCB

I asked the respondents whether they were satisfied with the criteria by which their performance was evaluated [Q 32]. Only 28% said 'yes' they were satisfied. When I

368

asked why they were not satisfied, the overwhelming response circled round problems with criteria and subjectivity [Exhibit 5.33, Criteria of Employee Performance Evaluation in JCB, p. 535].

Emmanuel et al. (1990, pp. 3-4) note that accounting information 'serves a central role in organizational control where it provides a means of quantifying overall performance. By contrast, in organizations where performance cannot be captured in accounting terms (e.g., public sector services) its role in control is much more restricted. However, even in business organizations having overall profit goals, accounting information is only an imperfect measure of performance and needs to be used with a degree of sensitivity and care'.

Some of the interviewees talked about the shortcomings of the performance appraisal system such as:

'I would like to be able to see each credit officer's performance or achievement ...whether (s)he is making a profit on his/her portfolio...in practice we find no procedure covering this' (interview 6).
And, *'The evaluation is always from the perspective of the evaluator...subjective' (interview 14).*
And, when a financial manager was asked he sighed and said, *'I am satisfied with the outcome...but I really do not know how they evaluate me' (interview 17).*
And, *'I got two promotions in one year...I cannot complain' (interview 8).*
But three other branch managers complained that management would not allow them to discuss their evaluations whether of them as managers or of their branches.

5.20.2.1 Subjectivity in JCB

The majority of respondents (77%) who found performance evaluation unsatisfactory said subjectivity was a feature of performance appraisal systems in JCB [Exhibit 5.33, Criteria of Employee Performance Evaluation in JCB]. The same pattern recurred with deposit managers, as 37% of those who were not satisfied with performance appraisal said evaluation was subjective, whereas 88% of credit and branch managers and 63% of the financial managers believed performance evaluation was subjective.

'The criteria are not comprehensive enough...they change with the situation' (interview 2).
It is interesting to note here that, in the case of deposit managers, some of those who were satisfied with the criteria still thought evaluation was subjective.

5.20.2.2 Performance Evaluation Criteria in JCB

As in the PB case study, the criteria used to measure performance were the main source of dissatisfaction. They were found by PB managers to be unfair, unclear, and subjective

369

[Exhibit 5.33, Criteria of Performance Evaluation in JCB]. The frequency of measuring performance was discussed in the case study but mentioned by only one interviewee in the survey (interview 16).

The problems with criteria used at the banks identified by the 22 respondents who said 'No' they were not satisfied or 'Not much' [Q 32] were:

a. *'the system of evaluation is competitive and not clear' (interview 12)*. Unclear criteria were the most frequently identified problem by 44% of the 22 respondents who said 'No' or 'Not much'.

b. *'criteria do not take into consideration the different types of jobs' (interview 27)*. Inflexible criteria were mentioned by 36% of the respondents unsatisfied with the criteria of performance evaluation.

c. Unfair criteria as found by 36% of the unsatisfied respondents,

'I am fairly compensated ...but this does not apply to others' (interview 23).
And, *'the criteria do not take personal achievement into consideration' (interview 20)*.
But other respondents thought differently: *'yes I am satisfied...if one is honest and has a strong sense of belonging he will be satisfied' (interview 9)*.
Still others solved their difficulties by: *'the CEO has hands on what goes on and personally sees and checks on everything and double checks whatever he is told' (interview 10)*.

Some of those who were satisfied with the criteria said it was because incentives were linked to achievement. However, as mentioned above in interview 12, this 'may promote competition and encourage manipulation of actions' (Otley, 1995 p. 50).

In a field survey of 42 sub-unit managers in a cross-section of Singapore companies to test the notion that job satisfaction is a function of the compensation schemes, information asymmetry and MAS information characteristics, Chia (2000, p. 379 quoting Eisenhardt, 1989, p. 61) states that 'when information asymmetry is low, an output compensation scheme is likely to adversely affect job satisfaction since it will needlessly transfer risk to the agent who is assumed to be more risk averse than the principal'. Chia (2000, p. 261) concludes that 'top management should not only consider the compensation package of the sub-unit managers but also the MAS available to the managers and the level of information asymmetry'.

Respondents were not satisfied with the way their performance was evaluated, whether due to subjectivity or unsatisfactory criteria. Luckett & Eggleton (1991, p. 379) found that as:

'a consequence of (the) different perceptions (evaluator and evaluated) about the credibility of the source is that subordinates may regard the feedback system as being unfair in some situations...The consequence of this conflict between the credibility of the

370

> source and the power of the source gives rise to potential dysfunctional behaviours, especially rigid bureaucratic behaviour'.

After asking the respondents what they thought of the performance evaluation criteria, I asked [Q 33] whether their achievements got mixed up with those of other managers or departments. An overwhelming 81 % of the respondents believed that did happen. Some of those [19%] said, *'interdepartmental activities are not separable' (interview 2)* and *'banking is an institutional type of job' (interview 3)* [Exhibit 5.33, Criteria of Performance Evaluation in JCB].

However, 92% of those who answered positively believed the problem lay in inadequate measures used at the banks whether those measures were unclear or just did not work, or were absent altogether. As one respondent explained: *'criteria do not deal with such issues' (interview 4).*

As a result *'When working in teams some managers like to claim achievements as their own' (interview 8).*

And *'he who talks more attracts more attention...criteria are subjective and are not comprehensive' (interview 29).*

The problem of jointness as explained by Spicer & Ballew (1983, p.85) 'can make it difficult and expensive to determine marginal productiveness of individuals and groups'.

An assistant general manager commented on employee performance evaluation criteria used at his bank by saying:

'I set the criteria ...they are scientific and fair. They take into consideration the profits achieved, the audit reports and the targets met' (interview 7).

However, a good deal of managers' work involves not only making profits and meeting targets. Non-financial measures such as customer loyalty, speed of service, and employee morale will be missed out. Furthermore, the above quotation (interview 7) does not mention support departments that did not have targets to meet or profit to show for their contribution to OE.

Wilson & Chua (1993, p.289) write on the difficulty of performance appraisal of joint results which was criticised by the respondents:

> 'A clear division of responsibilities is not always possible. In many instances, decisions are influenced by joint effects and it may be counter-productive to attempt to delineate clear lines of responsibility'.

In addition to that budgets need to balance short-term achievements that are easier to express in financial form and have financial measurements with long-term contributions (Otley & Pollanen 2000, p. 494). Bromwich & Bhimani (1989. p. 77) report on the difference in perceptions between what management accountants see their responsibilities to be and the perceptions of senior and middle managers in terms of control:

'the studies revealed a discrepancy between the role ascribed to management accountants by managers and the management accountants' own perception of their responsibilities. End-users looked to management accountants as suppliers of information service rather than as watchdogs which appears to be the task management accountants often saw themselves as attempting to fulfil' (Bromwich & Bhimani, 1989, p. 77).

5.21   Adequate Organisational Structure in Control in JCB

In the PB case study MAS reports were found to be used much more for feedback control [87%, 13 out of 15 managers]. In the survey almost three quarters of the interviewees (72%) said that MAS reports were more helpful to them in control than in planning or decision-making [Exhibit 5.11, Functions in which MAS Reports were More Helpful in JCB].

But the effectiveness of feedback control in JCB was affected by the organisational structures of the banks. This is also a view with which a number of researchers agree, such as Otley (1995, p. 51); Mouritsen, (1995, p.300); Wilson & Chua (1993, p. 480); Spicer & Ballew, (1983, p. 87).

'Organisational structure is a powerful mechanism to ensure that defined tasks are consistently performed; it can create difficulties by restricting managers' attention to their sub-area' (Otley, 1995, p. 51).

The interviewees believed that there were a number of problems with organisation structure that affected communication channels as 39% had various difficulties with communication lines, and 75% had different difficulties in delineation of responsibilities of departments, coordination, work procedures, and decentralisation.

[See Section 5.10.1, Factors Hindering the Diffusion of Information in Jordanian Commercial Bank; Exhibit 5.24, Problems With Communication Channels in JCB; Exhibit 5.20, Problems in the Delineation of Responsibilities in JCB].

Otley (1984, p. 127) observes that 'by the early 1970s there was a strong tradition of empirical work based on the premise that the structure of an organization was importantly affected by the characteristics of its external environment and by features of its internal technology, although there was still some scope for the exercise of managerial choice'. This to a large extent is what was observed in the survey.

5.21.1   Effects of Centralisation on Control in JCB

I specifically asked survey interviewees what effects centralisation of information had on control. An overall percentage of 59% said it had a negative effect, in particular, branch managers where the percentage was 75% and credit managers 50% [Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB].

The effects of centralisation of information on control mentioned could be categorised under three main effects [Exhibit 5.45, Effects of Centralisation Gatekeepers, and Internal Politics on Control in JCB]:

[i] control becomes ineffective [8 times];

[ii] delays work [mentioned 7 times];

[iii] blocking of information occurs [5 times];

[iv] less detailed information [5 times];

The organisational structure in the banks provided the structure for operational control through centralisation and formalisation. To give an example, credit facilities were centralised and entailed extensive formalities as did the fixing of interest rates for deposits. This does not seem to agree with Reimann & Negandhi (1975, p. 480) whose findings in general show the more decentralisation the more formalisation. It should be mentioned that their work was based on organisations operating in a different culture.

5.21.2   Effects of Channels of Communication on Control in JCB

Channels of communication affect feedback as expressed by an interviewed assistant general manager [Exhibit 5.45, Effects of Centralisation of Information, Gatekeepers and Internal Politics on Control in JCB; Exhibit 5.22, Factors Positively Affecting Communication Channels in JCB; Exhibit 5.23, Factors Negatively Affecting Communication Channels in JCB; Exhibit 5.24, Problems with Communication Channels in JCB; and discussion in Section 5.11.3, Channels of Communication in JCB]:

Exhibit 5.45
Effects of Centralisation of Information, Gatekeepers,And Internal Politics on Control in JCB
(Overall percentage of those affected is 59%, Exhibit 5.15)

	Effect	DM*	CM*	FM*	BM**
1	Delays work Overall percentage 24%	43%	14%	29%	12%
2	Blocking information Overall percentage 17%	14%	14%	14%	25%
3	Less detailed reports Overall percentage 17%	14%	29%	14%	12%
4	Effectiveness of control is weakened Overall percentage 28%	14%	29%	29%	37%
	No effect Overall percentage 45%	57%	29%	57%	37%

*   Out of 7 respondents who said they were affected
** Out of 8 respondents

'As assistant general manager I do not face any problems with communication channels but... communication from bottom-up I think there is' (interview 13).

Another interviewee talked about how the general manager solved the problem of feedback outside the organisational structure:

'We overcome centralisation of information by... the general manager distributing the reports he gets... because all reports are addressed to him' (interview17).

This agrees with Earl's (1983, p. 36) remark on how 'The MAS in particular continue to operate vertically, but lateral (or diagonal) information flows are absent'.

5.21.3 Effects of Co-ordination on Control in JCB

Co-ordination is another issue relating to control, as 'Co-ordination is largely a function of control' (Reimann & Negandhi 1975, p. 476).

From the survey data, co-ordination and functional specialisation were identified by the respondents as the third and fourth elements decisive for the flow of information preceded by communication channels and stable and well-delineated responsibilities and authority [Exhibit 5.17, Elements in Organisation Structure Decisive for the Flow of Information].

The importance of co-ordination to organisations has been stressed by many researchers (e.g. Otley, 1995, p. 51; Emmanuel et al. 1990, p. 88, Peters & Waterman, 1995, p. 121). Otley (1995, p. 51) emphasises the importance of co-ordination for organisational structure:

'The central aspect of formal organisational structure is differentiation (sub-units develop their own ways) and integration (co-ordinating sub-units) MAS plays a key role in this process'.

5.22 Adequate Feedback and Feedforward Information in JCB

Emmanuel et al. (1990, p. 6) note that many of the control mechanisms are 'in part, based upon the transmission of information. Integration, coordination and control cannot to be achieved without information. In every sense, information is the cement that binds the organization together and enables it to act in a coherent manner.' Traditionally, accountants have focused on feedback information. However, both feedback and feedforward control should be present in order to ensure organisational and operational control, as 'these two types of control complement' one another (Wilson & Chua, 1993, p. 47). Lynne (1995, p.240) explains the link between feedforward and feedback control by saying:

'The real control is forward-looking operation of the system even though it may appear that the formal control is a feedback system'.

Survey interviewees found MAS more helpful in feedback control, whether it was information provided by on-line PCs or MAS reports (90% of the respondents) compared to decision-making (75%) and planning (55%) [Exhibit 5.26, The Role of IT in MAS in JCB], or through MAS printed reports [Exhibit 5.11, Functions in which MAS Reports were more Helpful in JCB].

The effectiveness of both types of control hinges on availability and diffusion of information, which has been discussed at various points in this chapter [see for example Section 5.9.2, Information on the Internal and External Environments of JCB; and Section 5.10, Diffusion of Information in JCB].

The other difficulty which interviewees faced over the diffusion of information through the organisational structure of each bank [discussed lengthily in Section 5.11, Organisational Structure in JCB], undermined the effectiveness of feedforward control and operational control.

The characteristics of MAS reports [discussed in Section 5.13, Characteristics and Design of MAS Reports in JCB] reflected on the adequacy of control in terms of data included, format, time horizon, focus, and orientation although it was more helpful in feedback control than in feedforwad control. However, respondents had reservations about the information used for feedback regarding relevance with 50% of credit and branch managers finding reports lacking focus and containing unnecessary detail as believed by 56% of credit mangers and 50% of financial managers [see Exhibit 5.25, Characteristics of MAS Reports in JCB].

5.22.1   Tools for Feedback and Feedforward in JCB

In the PB case study, the important organisational forms of controls used by managers in overseeing implementation of their departmental /branch goals were:

[1] MAS reports (73%) and budgets (all branches had budgets but only some departments); [2] formal implementation procedures (mentioned by 27%); [3] field visits (20) %; [4] standardisation of procedures (13%).

When the survey interviewees were asked the same questions on the forms of control they used [Q 35], a similar pattern emerged:[1] MAS reports was chosen by 88% of the interviewees; [2] personal follow up (44%); [3] system built in controls and procedures (28%); [4] on-line information (25%); [5] personal supervision (16%); [6] field visits (9%); [7] results (9%); [8] budgets (9%). [See Exhibit 5.34, Control Tools in JCB].

MAS reports were by far the most important tool of control used by JCB: *'Without reports I cannot plan, decide, or control' (interview 4).*

5.23   Commitment and Support of Top Management in JCB

Commitment of top management in providing information is a crucial element for control as it is for planning and decision-making. The availability of information was discussed at length in Part II of this chapter, from which it could be concluded that the interviewees needed more information than was made available to them by management through MAS. Nevertheless, when asked whether they thought that management was sufficiently committed to making information available to managers [Q 11], 67% of the respondents said top management was committed [Exhibit 5.27, Management Commitment to the Diffusion of Information]. On the other hand, 91% said that top management followed a policy of 'restricted information' about which senior managers ought not be informed. Half of the credit, financial and branch managers of those who believed there was 'restricted information' needed it in planning and decision-making. [See Exhibit 5.27, Management Commitment to the Diffusion of Information in JCB].

Question 8 asked about the reasons top management had a different interpretation of the external environment to that of the interviewed managers. Out of the 15 respondents who said interpretations differed, 10 said the reason was that top management had information that was not available to the interviewees [see Section 5.16.2 on conflict between departmental and personal goals].

Commitment of top management has a number of dimensions, the management style, the corporate culture and the social culture, which are discussed in the internal and external cultures' effects on MAS in JCB [see Section 5.26, Cultural Effects on Planning and Goal-Setting in JCB; and Section 5.28, Cultural Effects on the Diffusion of Information in JCB].

Commitment of management was found by Norris (2002, p. 233) and Chenhall & Langfield-Smith (1998, p. 374) to have a decisive effect on introducing new methods of work. Burns & Stalker (1994, p. 34) help to explain the importance of management commitment when they remark that, power has been passing more and more into the hands of the management. Burns & Stalker's comment is in parallel with the argument in this chapter that the role of MAS in enhancing OE by making information available through adequate organisation structure has to have management support.

Management has an important role to play as successful 'control requires leaders who can create conditions which motivate workers toward desired goals' (Ansari, 1977, p. 109).

5.24 Commitment of Line Managers to Achieve Goals in JCB

The other side of the commitment coin is the commitment of managers as 'manager-subordinate interaction is viewed as the key to the effectiveness of a control system' (Ansari, 1977, p. 109). In the case study some PB managers talked about the mission they set out to accomplish and to which they were committed and motivated [see discussion in Section 4.23, Effects of Corporate Culture on MAS at PB]. The survey did not aim to study the commitment of senior and middle managers. Nevertheless, questions 29 and 30 on the congruence of departmental/branch goals and corporate goals and how the two correspond to the interviewees' individual goals [see discussion in Section 5.9.1, Goal-Setting in JCB; and Exhibit 5.7, Goal-Setting Process in JCB], showed that, apart from the deposit managers, the other three functions showed a substantial incongruence in 63% of credit managers, 50% of financial managers, and 63 % of branch managers.

When the respondents were asked which activities were affected by the non-alignment of goals, 44% mentioned negative effects such as demotivation and demoralisation, setting lower targets for themselves, and affecting the quality of their work.

Another aspect worth looking at when discussing commitment is how satisfied the interviewees were with their performance valuation. Again 88% of credit and branch managers and 63% of financial managers were not satisfied [Exhibit 5.45, Effects of Centralisation, Information Gatekeepers and Internal Politics on Control in JCB].

PART V
THE INTERNAL AND EXTERNAL CULTURES' EFFECTS ON MAS IN JCB

5.25 Introduction

When I prepared the interview guide for the PB case study, I did not include direct questions on social culture and the role it played in the operation and design of MAS. I preferred to wait for the respondents to bring it up so as not to bias their responses to my quotations. However, during the 16 in-depth interviews, in PB culture kept on coming up in the conversation with the interviewees. Twelve managers, including the general manager of PB, attributed certain attitudes or practices affecting the design, implementation, and operation of MAS to the social culture in Jordan. As a result I decided to allocate part of the case study chapter to discussing the internal and external

377

cultural effect on the design and operation of MAS [Chapter 4, Part V, The Effects of External and Internal Culture on MAS]. By *external culture* is meant social culture and by *internal culture* it is meant corporate culture and management style.

In the survey I had to resist the temptation to go deeper in that direction. Unfortunately, as I realised, no matter how deserving the topic it will lead to substantial diversions. I tried to include two questions in the interview guide in the hope that they will tell something of the influence of the national culture on the design and operation of MAS in JCB, building on the findings of the case study. When I started reading the answers to those two questions I had no choice but to give up trying to study the topic. It was too vast and intricate and requires and deserves a research study of its own.

However, as culture kept on coming up in the answers from the survey interviewees as it did with PB managers, I decided to discuss it and try to get some meaning out of what was said in relation to how MAS design, implementation, and operation was affected.

Culture, whether social, corporate or occupational, affects the manner in which MAS is used, and the role both users and movers of MAS expect it to play. 'Studying management accounting practice from the perspective that social structures are themselves both a condition and a consequence of social action requires an understanding of the relationships between the day-to-day social actions which constitute accounting practice and the dimensions of the social structures' (Scapens 1992, p. 370).

Miroshink (2002) mentions that Kroeber & kluchholm (1952) catalogued more than 100 different definitions of culture. However, Hall (1972, p. 182) noted that, up to 1972, culture and traditional factors have been largely ignored by organisational analysts, perhaps because they are difficult to codify.

Culture can be described as a pattern of internal and external values that guide individuals and systems (Gross 1965, p. 211), or as patterns of thinking, feeling, and acting mental programs (Hofstede, 1991, p.4). It was also described as the norms for acceptable behaviour and hence for acceptable objectives (Wilson & Chua, 1993, p. 60). Kirkman et al. (2001, p. 16) quote Nancy Adler's (2002) definition of culture as 'something that: is shared by all (or almost all) members of a social group...consciously and subconsciously held set of beliefs and norms'.

The cultural environment encompasses: 'customs, norms, values, beliefs, language, attitudes, motivation, social institutions, status symbols, religious beliefs' (Miroshink 2002, p. 523). All of those had an impact on MAS in JCB.

Javidan & House (2001, p. 293) believe that, as there is no standard definition of culture, so there is 'no universal set of cultural dimensions'. However, researchers such as Hofstede (1980), Smith et al. (1996), Javidan & House (2001) among others tried to come up with certain dimensions that influence in a business context the ways in which employees communicate through the hierarchy, anticipate how others are likely to respond, and to set evaluation standards (Dresser & Carns 1969 in Miroshink 2002, p. 526).

In the PB case study cultural factors, whether social, occupational, or corporate cultures and sub-cultures, had positive and negative effects on the role which MAS played in enhancing OE. The effects were felt in the design, implementation, and operation of MAS. The following four areas were specifically mentioned by PB and survey interviewees as being affected by the social culture in Jordan and relating to MAS:

1. planning and goal-setting process;
2. organisational structure: centralisation, communication channels and teamwork;
3. diffusion of information within the banks;
4. control and performance appraisal.

5.26   Cultural Effects on Planning and Goal-Setting in JCB

Our findings at PB indicated that decision-making, communication, setting goals and acceptance of authority in Jordanian banks is a reflection of the patriarchal /long power distance culture in Jordan.

As discussed earlier [Section 5.9.1, Goal-Setting in JCB], 50% of the interviewees were not involved in setting goals for their departments/branches:

'Branches' goals are set by top management and not me' (interview 12).
And, 'The financial analysis and control department sets future plans for the whole bank' (interview 30).
As in the case study, planning was confined to top management [see case study chapter Section 4.15.2, Corporate Goals of PB; and Section 4.15.5, Goal-Setting Process at PB] through a top-down attitude and centralisation of setting goals that did not involve sufficient interaction and iteration between top management and departmental managers. Other levels of managers did not participate and, at times, did not feel the need to set goals relating to their own work:

'Our line of work is very risky so we are happy with the targets set by top management' (interview 16).
The insufficient involvement of those interviewed is a reflection of the Jordanian patriarchal society and a 'high power distance culture' (Hofstede, 1991, p, 35), which is

associated with concentration of authority (Hofstede 1991, p.142). In high power distance countries 'communication is almost always one way, top to bottom...Input or feedback from subordinates is seldom solicited and in fact may be seen as impolite and disloyal' (Javidan & House, 2001, p.303).

This explains what has been found in both investigations on the centralisation of decisions and authority as in the case of setting goals, where 50% of credit managers and 75% of branch managers said there was a conflict between corporate goals and their departmental/ branch goals [Exhibit 5.6, Effects of Social Culture on Planning and Decision-Making in JCB].

On the availability of information, 73% of the respondents said they needed more information on the internal environment; and 88% of credit managers, 50% of financial managers, and 75% of branch managers did not actually receive information on the external environment. All this reflected on the effectiveness and efficiency of the respondents [Exhibit 5.9, Uses of Information on the External Environment in JCB]. Respondents talked about their need for forward-looking reports as only 9% of the respondents said the reports they got were helpful in planning [Exhibit 5.11, Functions in which MAS Reports were more Helpful in JCB]. All this was found despite 62% of the respondents saying they participated in the design of the reports.

The patriarchal high-distance culture was reflected in the phenomenon of 'restricted information' that was withheld by top management and not diffused to senior managers as stated by 91% of the respondents. Half of the credit, financial, and branch managers said they needed that information in their work [Exhibit 5.27, Management Commitment to the Diffusion of Information in JCB].

What came out in the case study [Section 4.20, The Cultural Effects on MAS in Planning and Decision-Making at PB] and the survey is that MAS was unhelpful in planning and long-term planning in particular although Hofstede (1991, p. 113) ranked them as relatively strong on uncertainty avoidance. Hofstede (1980, p. 478) explains strong uncertainty avoidance among other things as 'the uncertainty in life as a continuous threat that must be fought. Higher anxiety and stress are experienced. Time is money'. This does not seem to describe accurately the Arab Islamic culture even in a business context.

Hofstede's dimension in explaining cultures have been criticised for being too reductionist in describing a complex concept of culture (Harrison & McKinnon, 1999; Chenhall, 2003, p. 154; Baskerville, 2003, p. 1; Hopper, 2003, p. 19).

Javidan & House (2001, p. 295) ranked Kuwait – Jordan was not included in the study - as having a medium uncertainty avoidance culture. However, there is another important factor, and that is religion, which largely counteracts uncertainty avoidance and has affected planning processes in JCB as referred to in the case study chapter [see Section 4.20, The Cultural effects on MAS in Planning and Decision-Making at PB].

The 'man and universe dimension' is explained by Miroshink (2002, p. 529) as follows:

> 'In the Arab countries (Middle East) and in Asia, religion is a very important component in any business...Religion in such societies has a profound effect on how business is conducted'.

What follows from this is a 'deterministic dimension' which Kirkman et al., 2001, p.20) explain it as:

> 'The extent to which an employee believes that his or her outcomes or successes are due to forces that he or she cannot control...forces outside themselves (i.e. God, fate, chance, or other people) have almost complete control over the outcomes of the events in their lives'.

In the Arab culture –Jordan included- the concept of God's will shapes people's lives. Nothing can be done or achieved without the will of God, nothing will come to humans but what has been ordained by God, and no one should reject what has been ordained by the will of God. A free-will orientation is the opposite of that where 'managers and employees view long-range, strategic planning and goals setting as integral to achieving business success' (Kirkman et al. 2001, p. 21).

The deterministic dimension of the culture must have by necessity affected the management's attitudes towards planning and long-term planning in particular in that not enough effort was exerted in that direction.

Javidan & House (2001, pp. 293,294) describe the GLOBE project that involved 150 researchers collecting data from 18000 middle managers in 62 countries. The project investigated nine cultural attributes / dimensions (p. 293). On the future orientation dimension that 'refers to the extent to which a society encourages and rewards future orientated behaviors such as planning, investing in the future, and delaying gratification' (p. 294). On this dimension Kuwait –as Jordan was not researched, but both countries belong to the Arab Islamic culture- was ranked amongst the least future-oriented countries (Javidan & House, 2001, Exhibit 6, p. 294).

MAS's role in planning and decision-making in JCB was restricted mainly as result of the social culture in the country. Simon (1977, p. 97) advocates increasing participation to increase OE. One way for increasing participation is for it to be introduced slowly and gradually through the corporate culture of the banks along with a process of selective

recruitment. Most certainly it would not meet the needs of some of the managers who would be less receptive to change. Take, for example, Coch & French (1948) who provided the earliest evidence on the effect of participation in budgets and enhanced performance in a U.S. company (Brownell 1981, p. 845). However, Brownell (1981) went on to say that French et al. (1960) failed to find the same evidence in a field study on a Norwegian company.

In spite of the findings on the significance of budgetary participation contributing to enhancing OE, [see Section 5.19, Budgets in JCB] and the divergence of findings among the various studies, what was observed in the PB case study and the survey of JCB confirm this.

5.27 Cultural Effects on Organisational Structure in JCB

Centralisatfsion of authority was a reflection of the high power distance characteristics of the country's culture [Exhibit 5.30, Effects of Social Culture on Organisational Structure in JCB]:

'There is no delegation of responsibility or authority commensurate with the position an employee holds' (interview 28).
And,*' authority is given to a few people. In their absence work stops' (interview 18).*
And, *'in a one –man show in his absence work stops...' (interview 11).*
And, *'...They (top management) think our work is in implementing and decision only' (interview 29) and 'they believe we are processors who do not need to analyse information' (interview 28).*
Channels of communication were mostly vertical and in one direction, top-bottom:

'As an assistant general manager I do not face any problems with communication channels but communication from bottom upward I think there is' (interview 13).
Among the factors that negatively affected communication channels were the cultural factors and the psychological gap between the levels of management [Exhibit 5.23, Factors Negatively Affecting Communication Channels in JCB]. Although it came at the bottom of the list of factors as they were identified by a smaller number of respondents, this does not undermine the effect of culture on the organisational structure as members of a high power distance culture in general do not challenge but accept the authority of their superiors, and 'avoid disagreement and believe that by-passing their bosses is insubordination' (Kirkman et al. 2002, p. 18).

5.27.1 Cultural Effects on Bureaucracy in JCB

In the PB case study bureaucracy emerged as one of the factors that hampered the flow of information. It was also suggested by some PB managers that excessive bureaucracy was

a characteristic of all Jordanian banks [see discussion in Section 4.10.5, Excessive Bureaucracy at PB]. This was reiterated in interviews 13 and 15 in the survey that cultural reasons are behind bureaucratic administrations.

Questions 40 and 41 asked about bureaucracy in administrations and work procedures and what made the administration in the banks bureaucratic in the respondents' opinion.

In question 41, after sharing with the respondents a definition of bureaucracy, I asked the survey interviewees whether they considered their respective banks to be bureaucratic and gave them a chance to rate them on a four-point scale. Seven respondents (23%) said that their administration were 'not bureaucratic', the rest of the interviewees (77%) described them as being bureaucratic to varying degrees ranging from 'partly bureaucratic' (54%) to 'bureaucratic' (22%) to 'very bureaucratic' (1%) [see Exhibit 5.46, Bureaucracy in JCB].

In interview 4 the manager interviewed gave an explanation:

'We deal with staff and clients who prefer bureaucracy'.
And *'It is (administration) partly bureaucratic due to social and cultural factors'*
(interview 13).

In question 42 I asked the interviewees why it was that their **administrations were bureaucratic**. Their answers can be grouped in three main categories and all belong to culture, whether social, corporate or occupational [Exhibit 5.47, Causes of Bureaucracy in JCB]:

(1) cultural reasons;

(2) the nature of banking calls for bureaucracy to minimize and control financial risks;

(3) centralisation of decision-making.

A closer look at the answers of **deposit managers** shows that they tend not to agree with the overall opinion. The deposit managers were split in half as 4 respondents said administrations were 'not bureaucratic', and the other 50% described them as 'bureaucratic' or 'partly bureaucratic'.

Out of the half (4 respondents) who said administration was bureaucratic, two respondents said it was due to cultural reasons.

All **credit managers** said that their administrations were 'partly bureaucratic'. The most frequent reason given was because clients and staff prefer bureaucracy, or cultural reasons. Other reasons given were that bureaucracy was needed to establish some order, or that, since work procedures were absent, so bureaucracy was needed.

The **financial managers'** opinions came somewhere in between those of the deposit and credit managers as they did in most cases, but the majority still felt that administrations were bureaucratic (63%). The most frequent answer was the control needs call for

bureaucracy [see Exhibit 5.46, Bureaucracy in JCB; and Exhibit 5.47, Causes of Bureaucracy in JCB].

Branch managers showed, as they did in their previous answers that a gap separated them from management as 88% said administrations were bureaucratic to varying degrees. Only one branch manager described administration as 'not bureaucratic', and in that same bank two other managers interviewed described it as 'not bureaucratic'.

Exhibit 5.46
Bureaucracy in JCB

Item (N=30)	DM (n=8)	CM (n=8)	FM (n=8)	BM (n=8)
Bureaucratic administration Overall percentage 75%	50%	100%	63%	88%

Exhibit 5.47
Causes of Bureaucracy in JCB

	Total times mentioned	DM*	CM*	FM*	BM*
Cultural factors	7	2	4	1	
Centralisation of authority	5	2	2		1
Corporate culture	4			1	4
Nature of banking	3		1		2
Control needs	3		1	2	
Internal politics	2	1		1	
Lack of formalisation of procedures	2		1	1	

* Number of times mentioned out of a population of 8

The reasons given by the branch managers mostly centred round the corporate culture. One respondent believed that the size of the bank was the reason.

This fact naturally had implications for the quality and quality of information flowing through MAS reports for planning and decision-making. Requests for information by branch managers, for example, had to follow long lines of information through the Branches' Management Department at the head office and from there to other head office departments.

5.27.2   Cultural Effects on Committees in JCB

In the PB case study committees were used among other things to exchange information [Section 4.23.2, Committees at PB]. The opinions offered by the interviewees in JCB were not that committees did not work but that committees would stall or kill matters. The reason behind that was, in the opinions of the respondents, a cultural one [see more discussion in Section 5.17.1.5, Committees in JCB]:

'Culturally we do not come to committees with an attitude to discuss...you know what is said: to kill an issue form a committee' (interview 12).

And, *'In our culture committees are used to get seal of approval only and not to discuss' (interview 23).*

And, *'In our society committees stall matters' (interview 26).*

The research of Kirkman et al. (2001, p. 21) on teams in different cultures included observing, interviewing, and collecting survey data from 378 work teams in nine countries in eleven firms within different industries. They found that 'employee acceptance of teams and self-management was related to deeply held cultural values'. They also found that the most important cultural value that affects participation in teamwork was the individualism/collectivism dimension of a culture (Kirkman et al., 2001, p. 16).

Individualists prefer to work alone and prefer personal rewards and motivation rather than working in team and getting collective rewards and motivators (Kirkman et al., 2001, p. 16). Kirkman et al. ranked Arab countries as moderate on the individualism / collectivism dimension (Kirkman et al., p. 23, Exhibit 5.3).

In more individualistic countries like the U.S.A., Belgium, and Finland, team members complained of the level of coordination and communication. Teams in such cultures as found by Kirkman et al. lack the connectedness and sense of closeness between them (Kirkman et al., 2001, p. 17). The researchers also found that employees who stayed away from self-managed work teams (SMWTs) 'were less satisfied with their jobs and less committed to their organisation than were employees who accepted SMWT aspects' (Kirkman et al., 2001, p. 15).

Committees in the survey population [see discussion in Section 5.17.1.5; Committees in JCB] were used for decision-making and co-ordination [see Section 4.23.2, Committees at PB]. However, an overall percentage of 47% described as helpful and in particular branch managers 12% only found them helpful [see Exhibit 5.43, Role of Committees in JCB] and was described by PB managers as unfruitful.

The drawbacks of committees mentioned by the survey interviewees related to the lack of teamwork spirit, not having the authority and freedom to decide, were steered by their chairmen, the membership and terms of reference of committees, non-interactive discussions between committee members and their chairperson. All these are reflections of a culture which is high power distance and individualistic.

Javidan & House (2001) added 'in-group collectivism' to Hofstede's (1991, p. 53) dimension of individualism/collectivism. In-group collectivism refers to 'the extent to

385

which members of a society take pride in membership in small groups such as their family and circle of close friends and the organization in which they are employed' (Javidan & House, 2001, pp. 297-298).

Part of a country's national folklore is its proverbs. In Jordan some proverbs relate to business and shed some light on the individualistic/collectivistic dimension. Proverbs such as 'partnerships lead to parting' and 'play alone you will come back satisfied'. The survey interviewees in a business context were not dealing with their families or clans where their allegiances lay, but in a competitive environment of personal achievements and promoting personal interests. They acted in a more individualistic way as this did not conflict with the interests of their 'in-groups'.

What Javidan & House describe with 'in-groups' as favouring friends and family in recruitment and in allocating rewards and promotions was discussed in the case study [Section 4.23.2, Committees at PB]. This was not discussed in the survey interviews as the questions were set. One remark was made by a respondent as a reflection of the 'in-group' dimension of the culture:

'In third world countries we appoint a manager and then we create a department'
(interview 30).

This can provide an explanation for the answers given by the respondents that committees in general did not work well in JCB and did not further the role of MAS in enhancing OE by contributing to diffusion of information, enhancing decision-making processes, and co-ordination.

Credit committees were a clear exception and were described by credit managers as more successful than other committees. They provided a very useful structure to exchange information on credit applications and for spreading accountability among the members of the committee -particularly if the outcome was unsuccessful.

5.28   Cultural Effects on the Diffusion of Information in JCB .

The organisational structure of the survey population was characterised by structured centralisation of information (67%) [see Exhibit 5.15, Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB and their Effects], and unstructured forms as information gatekeepers (47%), and 63% of deposit, credit, and branch managers believed internal politics existed as well. All those phenomena had a substantial negative effect on the role of MAS in decision-making [54% of the respondents] and planning [63% of the respondents].

Centralisation of information was described in interview 10 as:

'It is a cultural issue...Jordanians like to keep information to themselves. It makes them feel powerful'.

Social culture affected the diffusion of information through organisational structures of the banks and their committees [see Section 5.17.1.5, Committees in JCB; and Section 5.27.2, Cultural Effects on Committees in JCB; and Section 5.27, Cultural Effects on Organisational Structure in JCB] and through management's attitude towards the issue. Nevertheless, what can be said at this point is that the individualistic culture in Jordan affects the effectiveness of teamwork and committees [Exhibit 5.29, Effects of Social Culture on Communication and the Diffusion of Information in JCB], whereas the high power distance characteristic of Jordanian culture affects communication and the flow of information within the banks.

5.29   Cultural Effects on Control and Performance Appraisal in JCB

The findings of the survey showed that financial measures of achievement of financial goals such as profits, deposits, expenses, and credit were predominantly used, as was found in the case study.

I asked the interviewees what type of activities they aimed to control and report to top management [Q 40]. An overall percentage of 80% of respondents said they monitored financial measures in their budgets [Exhibit 5.44, Budgets and Goal Achievement in JCB] and 57% reported only financial information to top management.

Accounting, information, and management control systems reflect the culture of the designers and the users of those systems in terms of what and how they measure implementation and achievement (Hofstede 1991, p. 5; Hopwood, 1978, p .8).

Miroshink (2002, p.536) writes that Hofstede's masculinity/ femininity dimension has important implications for motivation in the work place. Hofstede (1991, p. 84) positioned Arab countries as above average on the masculine dimension (p. 155), was reflected in both control and performance appraisal systems in the survey and case study.

In answer to whether respondents were satisfied with the implemented system [see discussion in Section 5.20.2, Performance Evaluation in JCB; and Exhibit 5.33, Criteria of Performance Evaluation in JCB]. The cultural effect could be seen in that 77% of those who were not satisfied with the evaluation described it as subjective and described the evaluation criteria as unclear [41%], unfair and non-comprehensive [36%]. Some of the respondents said they did not know how they were evaluated. When evaluation is subjective an employee in a high distance culture cannot (and is not expected to) press the

matter with his seniors. Understandably, this might affect the productivity of the interviewees and their enthusiasm for achieving corporate goals and enhancing OE [Exhibit 5.48, Effects of Social Culture on Control and Performance Evaluation in JCB].

It was discussed earlier [Exhibit 5.32, Use of Financial and Non-financial Information in JCB] that 80% of the respondents budgeted only for financial goals and 53% reported to management only financial information.

The emphasis was on financial information and measures, although 93% of the respondents stressed the need for and importance of non-financial information that would facilitate better achievements for planning and control, and performance appraisal could be explained by the influence of a more masculine social culture.

5.30   Corporate Culture in JCB

A number of questions in the survey questionnaire served the double purpose of understanding the processes involved and the management style (for example Qs 4, 9, 11-13, 18, 19, 23, 26).

In response to a number of questions, the respondents answered that it was the management style. Hofstede (1991, p.236) believes that:

> 'The organizational culture component is much less profound than is often claimed. It is more superficial manifestation like common symbols, heroes, and rituals'.

Other researchers do not agree with Hofstede. Alexander (1994, p. 4) quotes Parsons in that 'the personality...neither cultural coding nor social determinism precludes a role for psychological imperatives'. Furthermore, the general manager of an organisation exerts a powerful influence over its members in their conduct in many ways and not only through his overt authority. (Burns & Stalker, 1994, p. 212).

Helliar et al. (2002, p. 45) describe the change in corporate culture in the bank they researched which resulted in 'a changed emphasis from financial accounting and reporting in 1989 to management accounting and management control in 1996'. Helliar et al. conclude by saying 'from these studies it appears that MAS's historical, social and organisational contexts are major influences on its design' (Helliar et al., 2002, pp. 46 - 47).

The influence of corporate culture can also be seen in what Kaplan & Norton (1992, p. 77) believe: that measures of customer satisfaction and business performance are 'derived' from the company's culture. Gordon & Di Tomaso (1992, p. 795) stress the importance of corporate culture and stress that if 'individual managers act according to their own preferences... [they] may suffer from missing important opportunities and from failing to develop selected opportunities in an orchestrated powerful manner'.

Exhibit 5.48 Effects of Social Culture on Control and Performance Evaluation
in Jordanian Commercial Banks

Masculine culture ⟹ [1] More emphasis on
financial goals
[2] More emphasis on
quantitative measures
[3] More use of subjectivity
in performance evaluation ⟹ Reduced effectiveness
of control ⟹ Diminishing role of
MAS in enhancing
OE

388 A
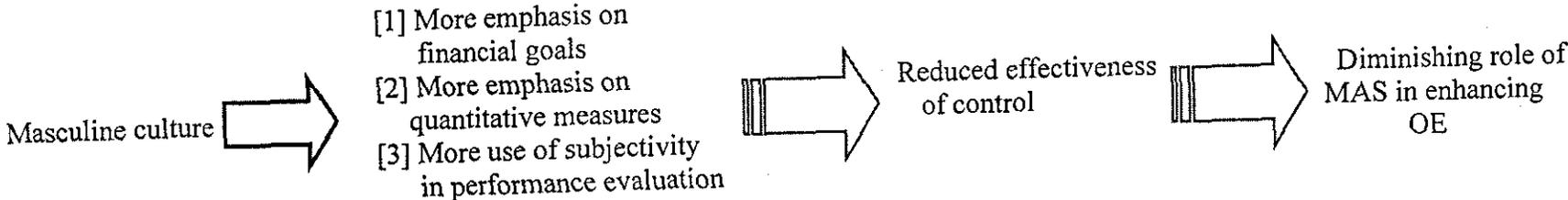
Preston (1995, p. 284) has a similar view on the influence of corporate culture on control in organisations. When discussing the impact of culture on budgeting he explains how social structure influences the budgeting process:

'In this respect the structure, and in particular processes including budgeting, may form part of the culture of the organisation, and indeed may be active in shaping the pattern of shared meanings, values and beliefs'.

The survey respondents' opinion on what affected the quality and quantity of information in MAS reports used for planning, decision-making and control, identified management style among the reasons as a reflection of corporate culture (13%) [Exhibit 5.31, Factors Affecting Quality and Quantity of MAS Information in JCB]. Corporate culture affected also other aspects of the banks' organisations: question 12 asked whether top management believed that there was information that ought not to be diffused to all senior managers. An overall percentage of 87% of the respondents said 'yes' top management did believe so and, in particular, 27% of the respondents said it was management style that affected the unavailability of information [Exhibit 5.27, Management Commitment to the Diffusion of Information in JCB]. The survey respondents put the difficulties they faced with communication channels down to corporate culture as they did with the delineation of responsibilities and authority of departments.

When I asked respondents about the causes of the difficulties they had with the delineation of responsibilities and authority, the first ranked answer was flaws in the organisational structure and the second cause was corporate culture [Exhibit 5.21, Causes of Problems in the Delineation of Responsibilities of Departments in JCB].

The most frequently mentioned cause of bureaucracy in JCB was culture followed by centralisation of organisation (which is arguably a reflection of social and corporate culture) and corporate culture [Exhibit 5.46, Bureaucracy in JCB].

Christiansen & Mouristen (1995, p. 229) talk about the influence which corporate culture has and that an 'accounting system is designed to fit the way problems are normally solved... (it) must fit with the culture, i.e. the norms and value system that characterise the organisation'. This opinion is shared by Peters & Waterman (1995, p. 280) in saying 'Every excellent company we studied is clear on what it stands for, and takes the process of value shaping seriously. In fact, we wonder whether it is possible to be an excellent company without clarity on values and without having the right sorts of values'.

5.31   Summary of Chapter 5

The survey of JCB aimed at finding out whether the preliminary findings induced from a case study of one Jordanian commercial bank could also be found in the other eight JCB. The four functions of credit, deposits, finance and branches were targeted in each bank. When analysing the data it came out clearly as it did in the case study that managers needed to scan wide-scope information [76%], both qualitative and quantitative [93%], on the external environment [100%], through periodic and *ad hoc* reports [47%]. Managers needed comprehensive, detailed, analysed financial and non-financial information and not general information on the external environment, and they needed it in advance. Its unavailability affected setting goals and planning, decision-making, customer satisfaction, and growth thereby negatively affecting OE. Managers needed the information to analyse the external environment, look for new markets and improve customer service. Doing that they said it would increase their effectiveness in setting their goals and plans, and to improve decision-making. Not making such information available to the respondents via MAS resulted in senior managers having different interpretations from those of top management [63%]. They acted upon their personal interpretations which were not in unison with those of top management. This affected planning, decision-making, goal achievement, strategies, customer service, quality of work, and feelings of frustration and confusion subsequently leading to a lower level of OE.

Unless management sets clear goals vis-à-vis the different external and internal stakeholders, information collected, communicated, and analysed by MAS would not correspond to the set goals and would not enhance goals achievement [a necessary and requisite condition beyond the domain of MAS].

The survey findings also showed that the respondents needed more information on internal information, corporate goals, other departments in the bank, clients, as employee satisfaction and financial information improves managers' ability in planning and decision-making, control and co-ordination.

However, managers (both in the case study and in the survey) did not get the information they needed for planning and decision-making because there were certain types of information that was treated as 'restricted information' [91%] and which was not diffused across the hierarchy although it was needed [47%] for achieving goals, enhancing planning and decision-making, and feeling part of the team. The analysed data indicated that the management style, the social culture and not cost were the prime reasons for the unavailability of information on the external and internal environment.

As a result of insufficient information and differing interpretations of the external environment, a lack of alignment between corporate and departmental goals [50% of credit managers and 75% of branch managers] and managers' individual goals [63% of credit and branch managers and 50% of financial managers] ensued. This affected managers by demotivating, demoralising, lowering the quality of their work, consequently, affecting planning and goal achievement. Furthermore, in both the survey and the case study, it was found that some support departments did not have set goals or plans of action.

The decisive elements in an organisational structure to enhance the diffusion of information and, according to the findings in the survey, to enhance the flow of information were: stable organisational structure and well-delineated responsibilities and authority of departments [47%]; communication channels [40%]; co-ordination [37%]; departments with specialised functions [27%]; work procedures and decentralisation. An organisational structure with those elements would enhance effective and efficient performance, help planning and control, and enhance communication, which in turn lead to improved OE. The flow of information and decision-making was also found to be hindered by bureaucracy [75%], which in turn is a reflection of the high power distance culture in Jordan.

Committees could be used, as suggested by the respondents, as a means of exchange of information, co-ordination, and joint decision-making to fill the gap which the organisation structure left but this was not possible as noted by 53% of the respondents largely due to the cultural factor.

The analysis of the survey data showed that JCB gave more emphasis to feedback control than to feedforward although OE cannot be effectively achieved by one without the other.

Budgets were used as a plan and a measure of performance mainly for revenue generating departments as only 25% of financial departments had their own budgets. JCB' managements were found to be mainly interested in exercising control over areas that were of a financial nature and relating to the financial performance of the banks.

MAS reports were more helpful for users in control [60%] than in planning [9%] and decision-making [6%]. This also applied to the information that was available on-line as 90% of the respondents found it helpful in control but much less so in planning and decision-making.

Performance appraisal systems were found to be unsatisfactory and non-motivating by many respondents [69%]. The main reasons were subjectivity and unclear criteria.

391

Furthermore, achievements of managers got mixed up with each other [81%] due to incorrect points of measurement, time phase, and lack of cross departmental measures for goal achievement. MAS did not provide management with sufficient information for evaluation purposes and that led to feelings of dissatisfaction and rivalry between managers.

The design of MAS adopted by the survey population was influenced by the power distribution at the banks seen in the centralisation of authority and internal politics [56%] with financial managers/controllers who were the compilers and initiators of MAS reports. Other factors that influenced the design were: the computer banking systems software, networking, packages compatibility, and the man-machine interface.

The MAS reports used were characterised by containing mostly historical information [90%] which was predominantly financial in nature although respondents [93%] said they needed both financial and non-financial information. A second characteristic of MAS reports that came out was that 38% of the respondents found that MAS reports contained irrelevant information and unnecessary details [42%] and, to a lesser extent a lack of sharp focus [32%]. Participation in designing MAS reports [63% participated] on its own was not sufficient to provide adequate and satisfactory information due to social and corporate cultural effects.

Social and corporate culture affected the design of MAS, it affected the type of information available, its diffusion through the channels of communication, and the control and evaluation systems adopted.

The lack of interaction and iteration in processes of decision-making, communication, and setting goals in JCB was found to be substantially affected by the patriarchal/long power distance culture in Jordan.

One pattern that was noticed in almost all the topics discussed was that deposit managers seemed the most satisfied group with MAS followed by financial managers much more than was the case with credit and branch managers. In some cases the two groups were at opposite ends.

CHAPTER 6

THE CONTRIBUTION AND ASSESSMENT OF THE RESEARCH

In this last chapter we will firstly contextualize the research by discussing the prevailing situation in Jordan and relate this to the research findings. The chapter will then link the research findings from the PB case study and the survey of Jordanian commercial banks (JCBs) to four key research questions. These key research questions essentially focus on the role of MAS in enhancing OE in JCBs.

Having discussed these research questions the chapter will then discuss the contribution of the research to knowledge in this area.

The four research questions are as follows:

- What kind of information does MAS generate in JCBs and what are the benefits to users?
- Does MAS deal primarily in historic data, or are they forward looking?
- How are MAS constructed in JCBs?
- What are the specific contributions of MAS to OE, in JCBs?

Each of these questions will be discussed under a separate heading apart from the first two, which are discussed together.

6.1 The Jordanian Context

Jordan is not a high profile country, insomuch, as it is not a large country and its economic development and modernization are fairly recent. As a consequence, it has not been the subject of extensive research in terms of its management. Specifically, there has been little or no research into the operation of management systems in Jordanian banks. In this respect the thesis was right to pose a very fundamental question, namely: do JCBs have MAS?

The research findings have revealed that JCBs do in fact have MAS and that they have functions and purposes, etc that are comparable, with certain caveats, to the recognized Western norm. These findings can be summarized as follows:

- The commitment of JCBs to MAS is based on the same implicit commitment to rationality and objectivity that is seen in the West. The commitment to MAS in the West, however, is more qualified [see Section 4.12.1, Financial Information at PB; 4.12.3, Orientation of Information at PB; Section 4.16.1, Budgetary Control of Branches at PB; Section 4.18.2.1, Reliance on Financial Measures in MAS; 5.18, Clear Financial and Non-Financial Goals for Managers in JCB; Section 5.19, Budgets in JCB].

- As in the West, the use of MAS in JCBs, also recognizes that it may serve the needs of both decision-making and control. However, not all MAS and control systems characteristics are generalizable or even transferable across nations and this consideration gave the research added interest and relevance (Harrison, 1992, p. 1). [See Section 5.19, Budgets in JCB; Section 5.16.4, Sufficient Relevant Information on which to Base Future Plans; Section 5.12.1.9, Principles of Feedback and Feedforward Control in JCB; Section 4.12.2, Time Horizon of MAS at PB; Section 4.12.3, Orientation of Information at PB; Section 4.12.5, Frequency of MAS Reports at PB].

- The reports and other data outputs of MAS come principally from finance departments in collaboration with IT departments. As a consequence they are resource dependent on the organizations 'computer power' [see Section 5.12.1.8, Technology in JCB; Section 5.14, The Use of Computers in MAS in JCB; Section 4.11.1.3, Effects of Information Technology on MAS Design at PB].

- MAS users in this study, like those in the West, complained that they were not involved in designing the system and its output, [Section 5.13.7, Managers' Participation in MAS Reports Design in JCB; Section 4.10.4, Centralisation of Information at PB; Section 4.12.8, Participation in MAS Reports Design at PB].

6.2 What kind of Information does MAS Generate in JCBs and what are the Benefit to Users and Does MAS Deal Primarily in Historic Data or are they Forward Looking?

The research revealed that the interviewees believed that a broad range of qualitative and quantitative information on the external environment (economic, competition, customer satisfaction and customer needs) would increase their effectiveness and ability to set individual and corporate goals.

The information provided on the external environment often did not include details users needed. MAS reports typically consisted of financial indicators which, although useful for control, were not appropriate for planning and strategic decision making.

Available information in relation to the external and internal environments was mostly historical (in the case of PB 100% historical information, and 90% for the survey interviewees). Forward-looking information needed by the users was not available at JCBs (according to 88% of the credit managers and 75% of the branch managers).

In addition, only 47% of the survey interviewees said that the MAS contained forward looking information on the external and internal environment. In the case study all ten managers got their information from personal contacts rather than through the MAS.

Wide-Scope Information on the Internal and External Environments

The majority of respondents [76%] expressed their need for wide-scope information on the external environment in order to assess the potential of the markets, setting goals and plans, and for improving their decision-making [see Exhibit 5.8, Need for Information on the External Environment in JCB; Section 4.7.2.2, Information on the External Environment at PB; Section 4.9, Diffusion of Information at PB; Section 4.15.5.2, Problems Relating to Lack of Information for Planning at PB; Section 4.15.6, The Role of MAS in Planning Product Innovation and Customer Satisfaction at PB].

The findings also showed that the interviewees wanted detailed and comprehensive information on the external and internal environments but typically only got summary information. In addition they wanted to see more analysis in the MAS reports that focuses on areas that had direct significance to their work, i.e. client and product profitability. The interviewees claimed that the unavailability of such information affected their ability to plan,

make decisions and anticipate future trends [see Exhibit 5.9, Uses of Information on the External Environment in JCB; Section 4.8.3, Information on CBJ Directives and Regulations; Section 4.10.4, Centralisation of Information at PB; Section 4.15.7, Role of MAS in Providing Non-Financial Information for Planners at PB; Section 4.9.1, Description of the Extent of Diffusion of Information at PB; Section 4.12.2, Time Horizon of MAS at PB; Section 4.12.3, Orientation of Information at PB; Section 4.12.5, Frequency of MAS Reports at PB; Section 4.15, The Role of MAS in Supporting Planning and Decision-Making at PB; Section 5.9.2.2, How Survey Interviewees Got Information; Section 5.9.2.3, Source of Information on the External Environment in JCBs; Section 5.16.4, Sufficient Relevant Information on which to Base Future Plans; Section 5.17.3, Effects of Management Style on Planning and Decision-Making in JCBs].

The unavailability of such information also resulted in a misinterpretation of the environment and this was reflected in departmental plans and budgets [see Section 4.16, Forms and Areas of Control at PB; Section 4.16.1, Budgetary Control of Branches at PB; Section 5.20.1, Budgetary Control in JCB]. This is important because management in JCBs set goals and use them as benchmarks for performance evaluation. Accordingly, having relevant information relative to the external environment is crucial for running and controlling the business. [see Section 4.16.1, Budgetary Control of Branches at PB; and Section 5.20.2, Performance Evaluation in JCB].

The research also identified some negative effects associated with having to subjectively interpret data in the MAS and this, in particular, related to the changes in the external environment. As a consequence this affected the MAS users' ability to set and achieve corporate goals. This resulted in: [1] frustration and confusion; [2] the loss of clients; [3] unsatisfactory work; [4] a reduction in the quality of planning and decision-making [Exhibit 5.7, Goal-Setting Process in JCBs; Section 5.16.2, Conflict between Departmental /Branches' Goals and Corporate Goals in JCBs].

A large majority of the survey interviewees indicated a need for more information on the internal environment (75%) as did PB interviewees [see Exhibit 5.12, Need for More

Information on the Internal Environment; Exhibit 5.13, Types of Internal Information Needed by the Survey Interviewees; Section 5.9.2.4, Information on the Internal Environment in JCB; Section 5.16.4, Sufficient Relevant Information on which to Base Future Plans; Section 4.15.5.2, Problems Relating to the Lack of Information for Planning at PB; Section 5.17.3, Effects of Management Style on Planning and Decision-Making in JCB; Section 4.10.1.1, Gaps in Communication at PB; Section 4.15.2, Corporate Goals of PB].

Some 73% of the survey interviewees said that most of the information provided on the internal environment related to HR and administrative matters. The interviewees also claimed that there was little information on the work of other departments, and information on new and existing services [Exhibit 5.13, Types of Internal Information Needed by the Survey Interviewees; Exhibit 5.14, Types of Internal Information Provided to the Survey Interviewees]. As a consequence, there was little information in the MAS that was conducive to planning within the organisation.

These findings generally support the work of Western researchers on the need and desirability of providing wide-scope information for planning (e.g. March, 1987, p. 162; Wetherbe & March, 1991, p. 55; Miller, 1993, p. 120; March as quoted by Peters & Waterman, 1995, p. 107; Otley 1995, p. 46; Wilson & Chua, 1996, p. 13; Vandenbosch & Huff, 1997, p. 82; Bouwens & Abernethy, 2000, p. 223; Pierce & O'Dea, 2003, p. 260).

Information for Setting Goals

The findings from the PB case study revealed that there was a weak link between the published goals of the bank and the goals of the PB interviewees [Exhibit 4.15, A Comparison of PB Interviewees' Answers with Corporate Goals as in Annual Reports (1994-1998)]. Consequently, information needed to achieve these goals were not collected, processed and communicated. In turn this detracts from PBs ability to enhance OE [see Section 4.7.1, Why Information?; Section 4.7.2.1, Description of Availability of Information at PB; Section 4.8, External Environment Factors Affecting the Ability to Achieve Goals at PB; Section 4.15, The Role of MAS in supporting Planning and Decision-making at PB].

Similarly in the survey, corporate goals were not clear to all of the interviewees nor was the information available to them through MAS reports conducive to planning [see Exhibit 5.7, Goal-Setting Process in JCB; Section 5.15, Identifying Corporate Goals vis-à-vis Stakeholders; Section 5.16.4, Sufficient Relevant Information on which to Base Future Plans].

McMann & Nanni's (1995, p. 327) study of Japanese management practices arrived at similar conclusions and found that employees lacked an awareness of corporate goals. Nevertheless they rightly claimed that one of the principal objectives of the MAS was to " to reinforce strategy', so that "employees understand how they contribute to organizational objectives".

The data in both the case study and the survey showed a lack of alignment between the three levels of goals: corporate, departmental, and individual. This became clear when the research findings indicated that 50% of the credit managers' and 75% of branch managers' perception of goals conflicted with the corporate goals [see Exhibit 5.7, Goal-Setting Process in JCB; Section 4.15.3, Departmental Goals at PB; Section 4.15.4, Characteristics of Departmental Goals at PB; Section 4.15.4.2, Departmental Goals were not Discussed by Top Management at PB; Section 5.16, Clear Departmental Goals Aligned with Corporate Goals in JCB; Section 5.16.2, Conflict between Departmental/Branches' Goals and Corporate Goals in JCB; Section 5.16.3, Disagreement Between Corporate and Departmental/Branches' Goals and Individual Goals in JCB]. This demotivated and demoralised managers and resulted in the managers setting lower personal goals for themselves [see Section 4.15.4.3, Unclear Focal Roles of Departmental Goals at PB; Section 5.9.1, Goal-Setting in JCB; Section 5.16.1, Effects of the Goal-setting Process on Planning and Decision-making in JBC; Section 5.24, Commitment of Line Managers to Achieve Goals in JCB].

The lack of alignment between corporate goals and departmental/branch goals were largely due to the insufficiency of information on: corporate goals, departments in JCBs, existing and new products, and customer and product profitability. The interviewees complained that the lack of information for setting departmental goals and plans had a negative effect on

organizational processes and OE [see Exhibit 5.12, Need for more Information on the Internal Environment; Exhibit 5.13, Types of Internal Information Needed by the Survey Interviewees; Exhibit 5.14, Types of Internal Information Provided to the Survey Interviewees; Exhibit 5.42, Forward Looking Information in MAS Reports; Section 4.15.2, Corporate Goals of PB; Section 4.15.5.2, Problems Relating to Lack of Information for Planning at PB; Section 5.9.2.4, Information on the Internal Environment in JCB; Section 5.16.4, Sufficient Relevant Information on which to Base Future Plans; Section 5.17.3, Effects of Management Style on Planning and Decision-Making in JCB].

This lack of alignment was also a result of a "top-down" corporate culture [see Section 4.20, The Cultural Effects on MAS in Planning and Decision-Making at PB; Section 5.26, Cultural Effects on Planning and Goal-Setting in JCB].

Forward-Looking Information

The available information contained in MAS was mostly historical. For example, in the case of PB it was 100% and 90% for the survey interviewees [see Exhibit 5.8, Need for Information on the External Environment in JCB; Section 4.12.2, Time Horizon of MAS at PB; Section 4.15.1, How PB Managers Used Historical MAS Reports; Section 5.13.4, Time Horizon of MAS Reports].

Eighty eight percent of credit managers and 75% of branch managers indicated that forward-looking information was not available in JCBs as [Exhibit 5.42, Forward looking Information in MAS Reports].

The information relating to the external environment consisted mostly of financial indicators which were not much use for planning and strategic decision-making. However, it was recognised that this type of information was helpful for control purposes (80% in the survey budgeted financial goals and 53% reported financial information only) [Exhibit 5.32, Uses of Financial and Non-Financial Information in JCB; Section 4.12.1, Financial Information at PB; Section 4.12.4, Format of MAS Information at PB; Section 5.16.4, Sufficient Relevant Information on which to Base Future Plans]. The interviewees believed that there are critical

matters that figures cannot explain fully in a situation [see Section 4.15.7, The Role of MAS in providing Non-Financial Information for Planners; Section 5.13.1, Format of MAS Reports].

The interviewees, not surprisingly, expressed a desire for more non financial information to be included in MAS because it was more conducive to: understanding the environment, more effective decision making, planning markets and the identification of new client and product opportunities [Exhibit 5.35, Uses of Non-Financial Information in MAS Reports].

6.3 How are MAS Constructed in the Context of JCBs

The findings of the research showed that: the social and corporate culture/management style influenced the type and quantity of MAS information in JCBs. In turn this had a direct effect on its diffusion within the organisation and detracted from good communication. In addition to this consideration it also detracted from JCBs ability to implement effective control and performance evaluation systems.

In looking at MAS design (Exhibit 4.12, Factors affecting the Design of MAS), 12 contingent variables have been identified by Western researchers as affecting the design of MAS. The findings of this research confirmed the importance of the following variables: social and corporate culture, distribution of power/internal politics, IT and the man-machine interface, and the decision-making style/ psychology of users. In particular, this research has emphasised and developed the importance of two variables: strategies of the organisation, and the principles of feedback and feedforward control.

The Effects of Social and Corporate Cultures on the Design of MAS in JCB

In JCBs cultural factors, i.e. social, occupational and corporate, had both positive and negative effects on the role of MAS in enhancing OE. The effects were felt in the design, implementation, and operation of MAS. The following four areas were specifically mentioned by the interviewees as being affected by the social culture in Jordan: (1) planning and goal-setting process; (2) organisational structure: centralisation, communication channels

and teamwork; (3) diffusion of information within the banks; (4) control and performance appraisal [Section 5.25, Introduction].

The findings of the research indicated that investing in MAS to provide the information needed by MAS users was not primarily influenced by the cost. Respondents revealed that what improved the usefulness of MAS were: the characteristics of the computer system [43%], the design of MAS [33%], IT staff capabilities [23%], cost [17%], and management style [13%] [Exhibit 5.31, Factors Affecting the Quality and Quantity of MAS Information in JCB; Section 4.7.2.1, Description of the Availability of Information at PB; Section 5.23, Commitment and Support of Top Management in JCB].

The effects of the social culture could be seen in the MAS design which placed more emphasis on feedback control. As such, the design of MAS was influenced by the deterministic and high power distance dimensions of the social culture in Jordan (Kirkman et al., 2001, p. 20) [Section 4.20, The Cultural Effects on MAS in Planning and Decision-Making at PB; Section 5.26 Cultural Effects on Planning and Goal-Setting in JCB]. This consideration affected the type of information contained in MAS, its frequency, and also its form [see Section 6.2].

In the survey 62 % of the interviewees claimed to have participated in the design of MAS reports [Exhibit 5.38, Survey Interviewees' Participation in MAS Reports Design; Section 5.13.7, Managers' Participation in MAS Reports Design in JCB]. Nevertheless, both the survey and PB interviewees found that MAS information did not meet their needs in terms of inappropriate information and timing of the reports [Exhibit 5.25, Characteristics of MAS Reports in JCB]. A third factor related to corporate culture, which in addition to the personal character and disposition of top managers, is also shaped by a country's culture. Accordingly, the research has shown that top management in JCBs predominately decide on the type and quantity of information to be provided to MAS users. However, the users themselves have very little input or say in the design of MAS [See Section 4.23, Effects of Corporate Culture on MAS at PB; and Section 5.30, Corporate Culture in JCB].

The research findings showed that the exclusion of users from the design process adversely affected them in the following ways: inappropriate time spent on tasks, the provision of inappropriate information, which meant that it did not facilitate effective decision making and detracted from managers ability to control the business [see Exhibit 5.40, Effects of Non-participation in MAS Reports Design in JCB; Section 5.13.7, Managers' Participation in MAS Reports Design in JCB; and Section 4.12.8, Participation in MAS Reports Design at PB]. This finding was perhaps surprising because Western researchers have long recognized the importance of involving users in the design of MAS in order to avoid conflicts of interest and raise morale (King & Cleland, 1975, p. 287; Wetherbe, 1991, p. 62, Spicer & Ballew, 1983, p. 91; Bouwens & Abernethy, 2000, pp. 221-222; Gross 1965, p. 8; Reid, 2000, p. 428; March, 1987, p. 154,etc.).

Some interviewees believed that committees would not be successful in JCBs, due to the absence of conditions necessary for their effective functioning. This can be attributed to the individualistic attitude of managers and to the centralization of authority in most Jordanian businesses. In turn, both these factors are, once again, influenced by cultural considerations in Jordan [see Section 4.23.2, Committees at PB; Section 5.27.2, Cultural Effects on Committees in JCB].

The effects of culture on considerations, such as, the availability and communication of information, the organisational structure of banks, and performance appraisal systems has been documented by other researchers in the West (Mason & Mitroff, 1973, p. 483; Burns & Stalker, 1994, p. 212; Collins, 1982, p. 117; Hopwood, 1978, p. 8; Puxty, 1993, p. 136; Miles & Huberman, 1994, p. 102; Alexander, 1994, p. 4; Ashton et al., 1995, p. 18; Preston, 1995, p. 284; Helliar et al., 2002, pp. 46-47; Miroshink, 2002, p. 530 among others).

The Impact of Established Power Distribution in JCB on MAS Design
The design of MAS in JBCs can be regarded as a political activity within the banks and, accordingly, influenced by the established power distribution. Some of PB's managers were unable to get the information they needed, (not because it was unavailable or due to flaws in the channels of communication) because it was blocked by some managers. In other words,

402

information gatekeepers who officially centralised information at PB, decide who gets what information [see Section 4.10.4, Centralisation of Information at PB; Section 4.10.3, Internal Politics at PB; and Section 5.12.1.6, Established Power Distribution in JCB].

Centralisation, irrespective of whether it derives from the formal organisational structure, the existence of self-appointed information gatekeepers, or internal politics, affects the quality and availability of information. In this respect, it affects the ability of managers to plan and control and, therefore, can have a negative affect on OE. In general, PB managers did not get the information they needed, unless they were in a position to influence or manipulate the internal politics of the business. [see Section 4.10.4, Internal Politics at PB; Section 4.13.2.3, The Restructuring Stage at PB]. The survey interviewees (63% of deposit, branch, and credit managers) believed that this was an important consideration [Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB; Section 5.10.1.3, Structured Centralisation of Information and Information Gatekeepers].

The centralisation of information, which led to power play and internal politicking, and self appointed information gatekeepers, influenced the quantity and quality of information within JCBs. The interviewees, accordingly, believed that this had a negative effect on planning (63 % and, in particular, credit managers 88%), decision-making (54% and, in particular, branch managers 63%), and control (59% and, in particular, branch managers 75%). The centralization of information can also be examined in terms of its affect on control. In essence control becomes ineffective, work is delayed and information is blocked or contains less detail [Exhibit 5.15, Effects of Centralization Gatekeepers and Internal Politics on Control in JCB].

The influence of power distribution and internal politics on MAS design is also acknowledged by researchers in the West (e.g. Markus & Pfeffer, 1983, p. 208; Bariff & Galbrith, 1987, p. 15; Pfeffer, 1977, p. 144; Roberts & Scapens, 1985, p. 449; Miller, 1993, p. 126; Burns & Stalker, 1994, pp. 146, 152; Granlund, 2001, p. 162; Soin et al., 2002, p. 252;).

The Impact of IT in JCBs on MAS Design

JCB Management was not fully convinced about the potential of computers. Another consideration, borne out by the findings of the research, related to the fact that the degree of IT usage in a bank is greatly influenced by the way users interact with the system [see Exhibit 5.31, Factors Affecting Quality and Quantity of MAS Information in JCB; Section 4.11.1.3, Effects of Information Technology on MAS Design at PB; Section 4.13.2.2, Ineffective Use of IT at PB; Section 5.12.1.8, Technology in JCB; Section 5.14, The Use of Computers in MAS in JCB; Section 4.13.2.1, Psychological Gap between Managers and Computers at PB]. The research findings relating to the effects of IT on information systems generally concur with those of other researchers in the West (e.g. Mabberley, 1992, p. 109; Ashton et al., 1995, p. 3; Christiansen & Mouristen, 1995, pp. 215, 220; Lau & Tan, 1998, p. 165).

The results from the interviews showed that they had a number of specific difficulties regarding IT. These difficulties related to: accessing information, the flexibility of the system, and integration of software packages. The interviewees believed that the IT system could enhance the role of MAS in JCBs by providing MAS users with the necessary level of analysis and flexibility in using information [see Section 4.13.2, Factors that Hindered the Use of IT in MAS; and Section 5.14, The Use of Computers in MAS in JCB; Section 5.12.1.8, Technology in JCB].

The PB managers emphasised the unresponsiveness of IT systems to their needs, and the lack of qualified IT staff. In the survey only 25% of the credit and branch managers said that the IT systems helped them in planning, which ultimately affected OE [Exhibit 5.26, The Role of the IT System in MAS in JCB; Section 4.11.1.3, Effects of Information Technology on MAS Design at PB; Section 4.13.2.2, Ineffective Use of IT system at PB;].

The research findings also showed that in terms of the IT systems, there were some important elements that MAS needed to have in order to provide support for users in planning, decision-making and control. These elements included the integration of software packages, having a comprehensive network linking departments and branches, a well-developed system

capable of providing a data warehouse of information and flexible reporting, qualified IT staff, and easy and quick access to different components of the system [Exhibit 5.41, Elements MAS Needs to Have in IT System to Provide Support for Planning, Decision-Making and Control in JCB; Section 5.14, The Use of Computers in MAS in JCB; Section 4.13.2.2, Ineffective Use of IT System Capabilities at PB].

Whilst discussing the benefits of IT, it should also be pointed that it can also have negative influences on MAS design because it encourages centralisation of information (Langford, 1979, p. 54. This is interesting because in JCBs MAS reports tend to be generated by IT departments working in close collaboration with financial departments [see Section 4.11.1.3, Effects of Information Technology on MAS Design at PB].

The Decision-Making Styles of MAS Users in JCB

The research findings showed that MAS users in JCBs had different decision-making styles. These differences stem not only from psychological differences but also from the different positions and roles in the organisation. For example, Exhibit 5.11 [Functions in which MAS Reports were more Helpful in JCBs] profiles the answers of the interviewees to the question as to whether MAS reports were more helpful in planning, decision-making or control. Seventy five percent of the deposit managers in the survey replied that MAS reports were equally helpful in all three areas compared to none for credit and branch mangers, and only 25% for financial managers. This cannot be explained exclusively in terms of a bias on the designers' part to the needs of deposit mangers but rather reflects the different psychology and functions of the various categories of respondent.

This consideration is also reflected in the difference of opinion amongst financial and deposit managers, and credit and branch managers. Whereas 50% of the financial and deposit managers said they needed more information on the internal environment, 88% of credit managers and 75% of the branch managers said they needed more information on the internal environment. The managers in the four functions were obviously, looking for different things in the MAS reports in order to complete their different jobs [Exhibit 5.12, Need for more

405

Information on the Internal Environment; and Section 5.9.2.4, Information on the Internal Environment in JCB]. In this respect, it is worth noting that there was a noticeable pattern in almost all of the topics discussed in that deposit managers seemed the most satisfied group followed by financial managers. In contrast, credit and branch managers appeared to be the least satisfied.

This can be linked to the fact that the majority of PB interviewees (77%) did not participate in MAS reports design. This consideration led them to focus on matters that the designers and compilers of MAS information should include, such as, historical internal data and the need to focus on feedback control. The survey interviewees who were not involved in MAS design also expressed similar opinions such as: a lack of detail, difficult to understand information, and that they did not meet their decision-making needs [Exhibit 5.40, Effects of Non-Participation in MAS Reports Design in JCB].

The differing decision-making styles and psychology of users can also be seen in the fact that the respondents had different views on time horizons, orientation, formats, and frequency of MAS information [See Section 4.11.1.6, Effects of Psychology of Users on MAS Design at PB; Section 5.12.1.2, Psychology and Problems of Users in JCB]. The PB and survey interviewees (38%) complained of being overloaded with irrelevant information and unnecessary details (42%), and they were also unable to obtain the information they needed promptly [Section 4.12.7, Over-Information in MAS Reports at PB; 4.12.8, Participation in MAS Reports Design at PB; Section 5.13.7, Managers' Participation in MAS Reports Design in JCB]. March (1987, pp. 156-157), in his discussion of the elusive link between information and decision-making, emphasises the importance of incorporating the user's needs into the design of MAS. He also claims that an information system inadequately designed will not be conducive to enhancing OE.

This observation concurs with Simon's statement (1977, p. 50): 'Organization structure over and above standard operating procedures is itself a partial specification of decision-making programs'. Luckett & Eggleton (1991, p. 373) add a third influence, namely, 'the nature of the tasks themselves'. All these factors were found in this research to influence the design of

MAS. Other researchers in the West agree with these findings (e.g. Driver & Mock, 1975; Mason & Mitroff, 1973; March, 1978, p. 162).

The Role of Organisational Structure in the Design and Operation of MAS

The design and operation of MAS is in many ways interrelated with the way in which the organisational structure is designed (Hopwood, 1978,p. 8; Spicer & Ballew, 1983, p. 88; Lewin & Minton, 1986, p. 528; Miller, 1993, p. 124; Wilson & Chua 1993, p. 480; Otley, 1995, p. 51; Preston, 1995, pp. 275, 279; Reid & Smith 2000, p. 430; Helliar et al., 2002, p. 35; Chenhall, 2003, p. 148). Mason & Mitroff (1973, p. 483) went further in saying that 'an organization's structure and its information system are in reality just two sides of the same coin' perhaps to accentuate the bilateral influence between the two'

The research interviewees mentioned organizational structure, internal politics, the psychological gap between the different levels of management, and the cultural considerations, as factors which they believed had negative effects on the functioning of communication channels. [Exhibit 5.24, Problems With Communication Channels in JCB; Exhibit 5.23, Factors Negatively Affecting Communication Channels in JCB; Section 4.10.3, Internal Politics at PB; Section 5.10.1.2, Internal Politics in JCB; and Section 5.10.1.3, Structured Centralization and Information Gatekeepers in JCB]. A number of factors that hinder the flow of information were found to be related to the organizational structure in JCBs [see Section 4.10, Factors Hindering the Diffusion of Information at PB; and Section 5.10.1, Factors Hindering the Diffusion of Information in JCB].

In this respect, the research findings showed that: unclear communication channels, lack of differentiation on responsibilities and authority of departments, and frequently changing organizational structures all have a negative effect on the flow of information and the effective goal-setting process of managers. Similarly, centralisation of information, information gatekeepers and internal politics affect the availability of information and adversely affect OE.

The analysis of the research information showed that the interviewees identified a number of decisive factors relating to organisational structure, which were conducive to a better flow of MAS information. These factors included: stable and well-defined responsibilities and authority of departments, clear communication channels, the co-ordination of activities, departments with specialized functions, work procedures, and decentralization of authority and information [Exhibit 5.17, Elements in Organization Structure Decisive for Flow of information in JCB] these are discussed following.

Continually changing organisational structures affected the flow of information and confused PB managers as to who was responsible for what. This came as a result of changes in management and the creation of new departments. Under these circumstances, the users did not get the information they needed [see Section 4.5, Restructuring Stage at PB].

The survey interviewees expressed particular concern about knowing who was responsible for what functions and where they could get information. This was especially the case, when the information was not of a standard type. Overall, 75% of the survey interviewees identified well-defined responsibilities and authority as a decisive element in the free flow of information within an organisation [Exhibit 5.17, Elements in Organization Structure Decisive for the Flow of Information in JCB; Section 5.17.1.3, Frequent Changes to organizational structure]. Again 77% of PB interviews found the delineation of departments' responsibilities not clear This led to delays in work and not being unable to get information [Section 4.10.7, Other Organisational Structure Elements at PB]. Western researchers (e.g. Emmanuel et al., 1990, p. 38; Luckett & Eggleton, 1991, p. 373; Burns & Stalker, 1994, p. 97) typically concur with this finding

Communication channels were identified by PB interviewees as an important element and the survey revealed that this was the second most important element in the organisational structure to affect the flow of information. Some respondents emphasised lateral communication and others vertical communication. One respondent believed that there should be, in addition to the standard channels of communication, specialised channels to be used when special needs arise [Section 4.10.1, Channels of Communication at PB].

Interviewees identified the lack of clear communication channels as a major problem. They were not clear to users needing information. This was especially the case when bottlenecks existed due to centralisation [Exhibit 5.24, Problems With Communication Channels in JCB; Section 5.11.3, Channels of Communication in JCB; Section 5.17.1.2, Effects of Channels of Communication on Planning and Decision-Making in JCB; and Section 5.21.2, Effects of Channels of Communication on Control in JCB].The single channel to head office also meant that specialised information which branch managers needed was not readily available.

Abernethy & Brownell (199, p. 192) and McMann & Nanni (1995, pp. 331,332, 327) express similar ideas on organisation structure, such as, better top-to-bottom communication, side-to-side integration, and the use of team structure 'to strengthen the quality of communication and reinforce a global (not local) purpose'.

Interviewees in JCBs talked about the need for co-ordination, and the findings of the research also highlighted co-ordination problems [see Section 5.11.1, Elements Decisive in Organizational Structure of JCB for the Flow of Information; Section 4.15.4.2, Departmental Goals were not Discussed by Top Management at PB; and Section 4.10.7, Other Organizational Structure Elements at PB]. The survey interviewees identified co-ordination as the third most important element to improve the flow of information. The Co-ordination among departments in the banks was closely related to other elements in the organization structure namely: clear work procedures, clear communication lines, and well-defined responsibilities and authorities of departments.

Interviewees realialised what impact co-ordination could have in enhancing corporate goals and the achievement of corporate goals and OE [see Section 4.10.7, Other Organizational Structure Elements at PB; Section 5.17.1.4, Effects of Co-ordination Problems on Planning and Decision-Making in JCB; and Section 5.21.3, Effects of Co-ordination on Control in JCB]. Committees were suggested by the interviewees as a means of achieving better co-ordination. This finding concurs with Simon (1997), Cunningham (1977), Scapens (1994), Burns and Stalker (1994), etc.work on the importance of co-ordination.

The interviewees talked about the need for departments with specialised functions. This was because they encountered difficulties in getting information in specialised areas (relating to both the internal and external environments). Branch managers were the group who believed they needed it most [50%]. Almost one third of the survey interviewees identified this factor as a significant element in enhancing the flow of information [see Section 5.11.1, Elements Decisive in Organizational Structure of JCB for the Flow of Information; and Exhibit 5.18, Elements in Organization Structure Decisive for Flow of Information per Function in JCB]. The most frequently mentioned need was for a research department to provide the necessary information.

Work procedures were identified as another decisive element for improving the flow of information. In essence, the interviewees claimed that they would help employees in dealing with situations that are non-routine or unclear. The reasons given by the interviewees for identifying work procedures was that it would help to clarify what, how, and when things needed to be done, and by whom [see Section 4.10.6, Lack of Documented Procedures at PB; Section 5.17.1.1 Effects of Work Procedures on Planning and Decision-Making in JCB]. Researchers in the West agree with what the interviewees said on work procedures. See, for example, Burns & Scapens (2000, p. 6), Scapens (1994, p. 313), Waterhouse & Tiessen (1978, p. 70), Hughes (1965, p. 51), etc

Interviewees in both the case study and the survey differentiated between two types of centralisation of authority in their banks: formal centralisation within certain departments in the banks, and informal centralisation that operated among self-appointed information gatekeepers [see Section 4.10.2, Feelings of Insecurity at PB; Section 4.10.3, Internal Politics at PB; Section 5.10.1.2, Internal Politics in JCB; Section 5.10.1.3, Structured Centralisation and Information Gatekeepers in JCB]. Interviewees believed that the centralisation of information was caused by negative relations between departments and branches, and because of the existence of rivalry and cultural reasons. Interviewees believed that one of the main reasons behind the centralisation of power and information within JCBs was the social

culture [see Section 4.22, Effects of External Culture on Organisational Structure; Exhibit 5.30, Effects of Social Culture on Organizational Structure in JCB].

JCBs appeared to be especially characterised by the centralisation of authority and information [see Section 4.10.4, Centralisation of Information at PB; Section 4.10.7, Other Organizational Structure Elements under Centralisation of Authority]. Baiman (1981, p. 192) believes that 'in decentralized firms information as well as decisions are decentralized', and this seemed to be the case with JCB where authority as well information was centralised.

Managers had negative opinions about the centralisation of authority and claimed that the centralisation of decision-making intensified bureaucracy in their banks [see Section 4.10.7, Other Organizational Structure Elements at PB under Centralisation of Authority; Section 5.17.1.6, Effects of Centralisation on Planning and Decision-Making in JCB; Section 5.21.1, Effects of Characteristics of MAS Reports on Planning and Decision-Making in JCB; Section 5.21.2, Effects of Channels of Communication on Control in JCB].

According to the interviewees, centralisation affected the efficiency and effectiveness of the managers. In particular, it affected control, communication, planning, and delayed work and follow up. In general, it had a negative affect on the quality of information in MAS reports [see Exhibit 5.15, Effects of Centralisation of Information, Information Gatekeepers, and Internal Politics in JCB; Exhibit 5.16, Consequences of Centralisation of Information in JCB; Section 4.10.7, Other Organisational Structure Elements at PB under Centralisation of Authority; Section 5.17.1.6, Effects of Centralisation on Planning and Decision-Making in JCB and Section 5.21.1, The Effects of Centralisation on Control in JCB]. Researchers in the West generally agree with this finding. See, for example, Argyris, 1971, p. B-279; Scapens, 1985, p. 449; Pettigrew, 1972, pp. 188-189; Miller, 1993, p. 126; Pondy, 1981 p. 233; Pond, 2000, pp. 2, 10; Hopper, 1980, p. 408; Peters & Waterman, 1995, p. 201, etc.

Bureaucracy was another factor that hindered the flow of information and compounded the effect of centralisation and 75% believed that their administrations were bureaucratic [see Exhibit 5.46, Bureaucracy in JCB; Section 4.10.5, Excessive Bureaucracy at PB; Section

411

5.27.1, Cultural Effects on Bureaucracy in JCB;]. They also believed that one of the reasons their administrations were bureaucratic was due to the culture in Jordan [Exhibit 5.47, Causes of Bureaucracy in JCB].

6.4 The Specific Contributions of MAS to OE in JCBs

This research adopts goal achievement as a criterion for assessing OE. Achieving goals in organisations is dependent on planning and control functions. MAS, in addition to other information systems in organisations, play a part in enhancing planning and control. Therefore, one might infer that better MAS would lead to better planning, control, performance measurement and ultimately to a higher degree of OE. It is also fair to assume that inadequately designed and implemented MAS would impede OE. The extant literature supports this view of the link between MAS and OE. However, the literature also acknowledges the difficulty in measuring the impact of MAS on OE [see Section 3.22.5, Goal Achievement as a Criterion for Assessing OE; Section 3.24, The Goal Model in Evaluating OE; Section 3.26, Measurements of OE].

Studying MAS in organisations cannot be conducted as a laboratory experiment, nor can the effects of MAS be studied in isolation relative to other systems in the organisation. All this makes measuring the effects of MAS on OE a formidable task. The alternative option is to infer the MAS–OE link by assuming that goal achievement requires planning, monitoring, and control. MAS have a role in all these processes; therefore, enhancing MAS should lead to enhanced planning, monitoring and control and lead a higher level of OE.

In the discussion of the PB case study an attempt was made to measure the improvement in OE, using multiple measures, linked to the improvements in MAS after the new management team took over. The enhancement in OE was realised and measured mainly in financial terms. The improvement was prominently in control areas and produced tangible results in market share and asset value [Section 4.24, Epilogue]. However, in addition to the improvements in MAS, managerial skills, other systems and procedures also improved as a consequence of introducing new management. Consequently, and this is also suggested by the literature, the link between MAS and OE is a qualified one.

412

As discussed in sections 6.2 and 6.3, interviewees expressed a number of criticisms of the MAS employed in their banks which they felt weakened their performance and undermined OE. The majority felt they needed more comprehensive, qualitative, and detailed information [see Section 6.2, The kind and Characteristics of Information MAS Generate in JCB and to the Benefit of What Users]. This prompted the question as to why they wanted this type of information and what they would have done with it. Perhaps, not surprisingly, these sort of issues have been highlighted by the Western literature [see Section 6.2].

Some of the insights provided by the interviewees in relation to planning, monitoring, and control should be useful for senior management in JCBs. In particular, the interviewees highlighted the fact that: corporate goals were unclear and at times unknown to them. Accordingly, any future action taken by management might not be related to the corporate goals of the organisation. [Exhibit 4.16, A Comparison of PB Interviewees' Answers with Corporate Goals as in Annual Reports (1994-1998); Exhibit 5.7, Goal-Setting Process in JCB].

Senior management in JCBs, therefore, need to take into account the views of interviewees, i.e. users, and respond to the fact that they found MAS more helpful in feedback control than feedforward control [see Section 6.2]. Similarly, they also need to take into account what MAS users (100% of them) said about the importance of more comprehensive information on the internal and external environment. This encompassed the need for financial and non financial forward looking information on the environment to plan and control the business and the inclusion of more easy to understand information in order to facilitate decision making [Exhibit 5.35, Uses of Non-Financial Information in MAS Reports; and Section 6.2]. The absence of this type of information not only detracted from the efficiency of managers but also increased levels of frustration and confusion, which could lead to a loss of business [see Section 6.2]. In this respect senior management should introduce more bottom-up communication in processes such as goal-setting, decision-making, and evaluation of existing systems and processes.

413

Regarding performance evaluation, managements needs to be aware that the interviewees felt the measurements used for goal achievement needed further consideration. The measurements were viewed as being unclear, unfair and incapable of reflecting actual performance regarding both the long- and short-term goals of PB. This understandably would have consequences for morale and goal achievement [see Exhibit 5.33, Criteria of Performance Evaluation in JCB; Section 4.18, Role of MAS in Providing Information on Performance Evaluation at PB; Section 5.20.2.2, Performance Evaluation Criteria in JCB].

The interviewees believed MAS could be enhanced by strengthening the IT systems in the JCBs. They identified issues that management might want to look into such as improving access to different components of the system, raising the qualifications of the IT staff, introducing a comprehensive network to connect all branches and departments, and working on a better integration of computer software packages. [see Section 6.3].

In this respect, senior management might find it useful to examine the managers' criticism of organisational structures regarding what works and what does not. The managers from their own past experiences, identified elements in organisational structures that could enhance or impede the operation and design of MAS and consequently OE [see Section 6.3]. In this respect, lack of clearly defined responsibilities relating to departments and individuals, centralisation of authority and information, and poor co-ordination, etc were all emphasised by the respondents.

A number of the issues discussed in this section indicate that there is a real need for greater participation in the decision-making process. Senior management might, for example, want to explore new ways of activating the use of committees. In this respect, it might be pertinent to add that multi-purpose meetings with people drawn from different organizational levels and departments are rather less common in Jordan than elsewhere. In particular, management might find it beneficial to examine the functioning of Credit Committees [see Section 4.23.2, Committees at PB; Section 5.17.1.5, Committees in JCB].

When discussing the design of MAS in JCBs interviewees discussed how certain managers influenced and manipulated the MAS design. Management needs to be aware that MAS design is a political activity influenced by the established power distribution and by internal politics. The combined participation of users and initiators can be one way of achieving more harmony and avoid a conflict of interest situation amongst managers. Better accessibility to information by the creation of comprehensive data bases would also be conducive to the design of more effective MAS [see Section 6.3].

Finally, senior management need to understand the difference in decision-making styles and the psychology of users in MAS design. As the research showed this consideration had important implications for time horizons, orientation, formats, and the frequency of MAS information.

6.5 Contribution to Knowledge

This research contributes to the body of MAS literature in the following ways:

(1) To the best of my knowledge, no other research on the role of MAS in enhancing OE in JCBs exists. The research also provides a basis for further research on the role and design of MAS in JCBs(e.g. Shields, 1997, p. 26; Zimmerman, 2001, p. 412; Ittner & Larcker, 2002, p. 789).

(2) The research also provides specific insight into the following points:

    (i)   A description of the MAS employed and their workings in JCBs;

    (ii)   Insight into the impact of users and designers on MAS;

    (iii)   Insight into the impact of MAS on the users;

    (iv)   Insight into the impact of MAS on OE

In providing a description of MAS employed in JCBs, the research sheds light on actual practices, and provides a potential bridge between theory and practice (see Jones, 1992, p.

250; Palmer, 1992, p. 181; Wilson & Chua, 1993, p. 403; Bromwich & Bhimani, 1994, p. 149; Ashton at al., 1995, p. 9; Parker, 1999, p. 27).

(3) The research confirms the findings of previous research on the contingent variables that affect MAS. As a result of this research, an additional variable has been added, namely, the combined participation of users and initiators of MAS.

Some variables of MAS design observed in this research are not in themselves unique to the context of JCBs. However, the research has shown how cultural considerations can have an impact on the design of MAS and ultimately, therefore, how they can impact on OE. [see Exhibit 5.28, Effects of Corporate Culture in JCB on the Role and Operation of MAS; Section 4.22, Effects of External Culture on Organisational Structure at PB; Section 4.23, Effects of Corporate Culture on MAS at PB; Section 5.27, Cultural Effects on Organizational Structure in JCB; Section 5.30, Corporate Culture in JCB]. Similarly, other variables of MAS design (such as organisational strategies, and principles of feedback and feedforward control) are developed in this research..

(4) This research identifies certain considerations relating to organisational structure, which if addressed could potentially improve MAS and have a beneficial impact on OE. For example, there appears to be a need for decentralisation of information and a more inclusive style of management.

(5) Although the focus of this research is not on cultural issues in organizational life, it does acknowledge culture as a variable which affects MAS design, implementation and operation. Within this broad scope the study offers explanations of social culture's impact on MAS design, implementation, and operation. It confirms the effects of the large-power distance dimension and of the masculine/feminine dimension [see Section 6.3].

The analyses of the data indicated that the 'deterministic dimension' (Kirkman et al., 2001, p. 20; Miroshink, 2002, p. 529) explains the interviewees' approaches to planning rather than the 'high uncertainty avoidance' dimension as suggested by Hofstede (1991, p. 113). This

416

research, accordingly, offers insights into why the strong 'in-group' dimension in Jordan (Hofstede 1991, p. 54, Fig. 3.1) did not affect committees and team work [see Section 5.27.2, Cultural Effects on Committees in JCB]. In this context this research offers some insights into the ways in which internal and external cultures affect the adoption of MAS.

(6) This research also extends the Gordon et al. (1978, p. 207) model used in discussing the characteristics of information in MAS reports. This research adds new characteristics, which were indicated by the collected data, namely: financial information [Section 4.12.1]; age of MAS reports [Section 4.12.6]; and excessive information in MAS reports [Section 4.12.7].

Last Thoughts

There is little in the way of formal management research in Jordan. Not only do we not know of a similar study of JCBs, it is difficult to find comparable studies on organizational and management dynamics in any sector or industry in Jordan. Against this background we hope that the present study will be seen as a useful and honest contribution to understanding and knowledge of Jordan.

The research also faced up to the tensions of applying an essentially western model of MAS to an Arab country. My view is that it is appropriate for developing countries to adopt and adapt western MAS. Indeed, it could be argued that the western model, based as it is on accumulated practice and a substantial research literature, is 'the only game in town'. Also, it is clear from the study that although MAS works in JCBs, it does not work in quite the same way as in the west. However, it is also argued that:

- o the differences in effectiveness between Jordan and the West are matters of degrees rather than anything more substantial

- o the criticisms voiced by our interviewees are also heard in the West

- o the thesis does not constitute a generalised critique of Arab management. Rather it recognises that it has distinctive strengths and faces demanding challenges.

o The research also identified some context specific reason for the interviewees' demands for wide-scope, external and non-financial information. These related to the paucity of accessible and reasonably reliable data in Jordan. This reflection is *important and does suggest ways in which a western model can be adapted.* Furthermore, the dynamics of organisations and management practice are no more static in the Middle East than they are in the West. The fact that our interviewees voice their criticisms so readily shows readiness to change.

Finally, it is difficult to prove the MAS-OE link and even more difficult to measure it. But such a link is supported by inference in the literature, and by common sense. If this link is accepted, even in a qualified way, we hope that our findings may help those who run JCBs to *get some enhancement of OE and other gains.*

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Attention of:............

From: Barihan Sherin Nabil

Dear sir/Madam,

I would like to give you a quick idea about the research topic prior to our meeting on (day and date), and wish to thank you for giving me two hours of your time. The research is part of working towards a Ph.D. degree in accounting with Loughborough University – Britain.

Title of the research: The Role of Management accounting systems in Enhancing Oganisational Effectiveness in Jordanian Banks.

Duration of the study: 2 –3 months

Definitions:
Management accounting: comprises techniques and processes that with the aim of providing financial and non-financial information for people in organizations to enable them to take better decisions to enhance the organizational effectiveness in an organization.

A management accounting system: is a group of procedures with which financial and non-financial information is collected from within and outside the organization. It comprises means of gathering, storing, processing, preparing, and communicating management accounting information to decision-makers.

Areas to be covered in the meeting:
- Management accounting reports
- Planning
- Decision-making processes
- Control
- Channels of communication.

Phoenix Bank Case Study Interview Guide

Topics to cover:
(a) Types and purposes of MAS reports, characteristics of contents of these reports, preparer(s) and receiver(s). The relation of reports to external and internal factors affecting MAS design as in the research plan.
(b) Procedures and style of decision-making and related information needs.
(c) Horizontal and vertical communication lines and its relation to size of the organisation, and technology used.
(d) Systems of control, types of MAS control reports, characteristics of information in control reports.
(e) Bureaucracy, formalisation, and standardisation in the bank. Centralisation and decentralisation of departments and branches.
(f) Technology used in collecting, storing, and retrieving data. Technology used in preparation and communication of MAS reports taking into consideration cost and volume of information and size of the organisation.
(g) What are the bank's reasons and assumptions for choosing what is described above, and what management expects of current MAS in terms of organisational effectiveness.
(h) How effective was MAS employed by the bank in achieving targets in budgets and corporate goals in the past.

Prior to each interview general information to be filled before hand: date and hour of interview, name of interviewee, branch or department, age and number of years with the bank, and official title.
I will start each interview with a short presentation covering the following:
- An idea on the purpose of the study.
- Interviews will not be carried with all bank managers for the purpose of the study
- Stress confidentiality of opinions, and that no company information will made available to outsiders without manager's approval.
- The study will deal with group opinions rather than single opinions. No identification of personal opinions communicated during interview.
- Feedback could be given at the end of the case study
- Ask if (s)he has any questions before we start.

External environment theme
1- What factors in the environment of the bank affect you?
2- What do you consider the most hazardous aspect of the external environment?

Planning & decision-making theme
3- What effects do reports have on helping you in (1) setting corporate plans, (2) future goals?
4- Do you feel that management reports give you a satisfactory idea on where are you now in relation to: (1) your operational or corporate goals achievement?
(2) In drawing your attention to problem areas?
(3) in finding solutions to problems?
(4) In deciding on available alternatives?
5- In trying to obtain information concerning the areas mentioned above, would you usually try and get focused information before taking a decision, or do you feel you need to have a wide-scope of information about the situation facing you?

<u>Would</u> you possibly consider different solutions (Driver & Mock decision making style matrix)?

6- To what extent do you study the information you receive before taking a decision? Intuition or personal perception contribute/not contribute to your decisions? Why?

7- What attracts a customer? How do you get information on that?

8- What type of customers do you try to attract?

9- What are the <u>characteristics</u> of these reports? Format, form, orientation, time horizon, and frequency.

10- In planning what <u>qualities</u> do you look for in reports? Do you find it?

11- What plans do you <u>prepare</u> or <u>revise</u> annually that are of direct concern to you? What procedures do they follow (stages, who is consulted, committees..)?

12- What do you consider a major issue when preparing those plans?

13- What type of reports do you receive for planning? Who provides them?

14- How do you evaluate them? Would their absence affect you?

15- Do you chase after information?

16- Which aspects of the bank's operations do you feel need to be budgeted for? Who decides on targets? Who proposes the budget? Do you discuss the budget with your subordinates? In what ways?

17- What are the goals of the bank both short-term and long-term?

18- How do you evaluate the bank's performance according to 1997-2001 plan? What were the problems of implementation?

19- How do you measure non-financial aspects of your work such as customer satisfaction or employee satisfaction?

<u>Control theme</u>

20- How do you evaluate branches and departments?

21- What do you stress more in branches' performance, (meeting budgets irrespective, or is your concern cost control rather than meeting the budget)?

22- How do you see the role of budgetary control (standards, variances)? Which do you stress more in budgetary control score keeping or providing information and liaison? What would you like to see changed and why?

23- Do you receive reports on the reasons why some branches are more profitable than others? And how can results be improved? Who provides such information? How do you evaluate it?

24- How do you use the annual budget and annual report prepared by the AGM/FP?

25- When you get the figures and you see a serious under attainment what do you do next?

26- For control purposes what qualities in the information do you look for? Do you find it?

<u>Organisational structure theme</u>

27- Could you explain to me the characteristics of your organisational structure? (to what extent are bank processes formalised, centralised, jointness of performance, fit of authority and responsibility)

28- Which of the characteristics you mentioned would you consider as strong points and weak points of the current organisational structure?

29- How does such an organisational structure affect MAS positively and negatively?

30- Do you feel that most information in the bank is centralised and closely guarded by certain units or individuals? Is it a result of organisational structure or organisational politics, or your personal directives?

31- In general, how much say or influence and what kind of influence do you feel each of the following persons or groups have on what goes in the bank (top management, branch managers, department managers, employees, staff-departments)?

Channels of communication theme

32- Do you feel that reports are distributed to the right people at the right level? What gaps do you perceive? And why do such gaps exist?

33- How do you communicate with different departments?

34- Do you prefer that all communication upward or downward go through a single channel following the command lines? Your reasons? How does this affect bank performance?

35- Role of Committees?

36- What degree of emphasis do you place on written communication in comparison to verbal communication?

37- How about a redundant channel of information to avert subordinates biasing information? Do you feel you need it, and why? Why do you feel you need to assign jobs to managers that are not part of their position responsibilities?

38- How wholesome/problematic do you feel are the relationships between departments at head office and branch managers and among managers themselves? Reasons? How does it affect the ability of the bank in achieving its targets?

Technology theme

39- For an organisation of this size, do you feel that the technology used helps in the co-ordination and control of work?

40- What are your complaints of the technology used for collecting, storing, processing, and communicating information? Is it sufficient enough for your needs? How do you think it can be improved?

41- Are these problems specific to the bank or does the whole business community suffer from them?

*** In your opinion what part of MAS functions best in the bank? What part functions least well? What are your reasons? How does it affect bank performance? How do you think the drawbacks can be eliminated?

Interview Guide on the Role of MAS in Enhancing
Organisational Effectiveness in Jordanian Commercial Banks

1- If you consider any factor or influence outside the bank (economic, competition, political, cultural) as part of the external environment, <u>do you require reports</u> that provide you with information dealing with external factors?

2- Do you find MAS reports whether periodical or ad hoc that concentrate on a <u>few variables</u> more helpful to you in setting plans to achieve your goals than reports that have <u>a wide scope</u>?

3- In <u>what way</u> would you find getting information on factors in the external environment helpful to you <u>in achieving corporate goals?</u>

4- Do you actually receive such information through current MAS reports?
- 1- Yes
- 2- no
- 3- to a satisfactory extent
- 4- to some extent

5- Do you feel you need to have information on the external environment
- (1) periodically?
- (2) on ad hoc basis?
- (3) it is of no interest to me

6- In what form(s) do you look for information on factors in the external environment?
- 1- financial information only
- 2- non- financial information
- 3- both
- 4- Other, and why?

7- If you find that MAS reports <u>do not</u> contain enough non-financial information, how is non-financial information useful to you?

8- Do you find that your personal interpretations of the factors in the external environment are different from those of top management? and if so why?

9- In what ways do differences in interpretations and understanding of the influence of the factors in the external environment affect your efforts <u>in achieving corporate goals?</u>

10- Could you identify the main <u>reasons</u> that affect the <u>quality</u> and <u>quantity</u> of information in MAS reports?
- 1-
- 2-
- 3-

11- Do you feel that top management is not sufficiently committed to making information available to different levels of managers?
And if so why?

12- Does top management at your bank believe that there is information that <u>ought not be diffused</u> to all senior managers?

13- Do you find that you <u>need</u> such information labeled by top management as 'restricted information' in planning and decision making? And if so why?

14- What activities in the <u>internal environment</u> are you <u>provided</u> with the <u>necessary</u> information about?
1-
2-
3-

15- Do you find that information on (the activities chosen above) helps you in planning and decision making? Why?

16- What other information on the internal environment do you feel you need to have for planning and decision making? And if so why?

17- When you want to set a goal for your department, in your opinion which <u>elements of the organisational structure</u> help in the smooth flow of information you would need for effective goal setting?

Why are those elements of particular importance?

18- What problem do you face with
    (1) communication channels ? why?
    (2) delineation of responsibilities? Why?

19- Do you believe that any of the following phenomena exist at the bank:
1-   Centralisation of information
2-   Information gatekeepers
3-   Internal politics

20- How do the above mentioned phenomena affect your work in planning? decision making? control?

21- Do you feel that having/not having MAS reports or data base available to you through your PC affect your work in terms of planning? decision making? and control?

22- In what ways do you envisage the computer system at the bank can be of more help to you in your work than it is actually doing?

23- To what degree did you influence the design of the MAS reports that you receive in terms of form and content?
    (1)   I was never consulted in the design
    (2)   my contribution has been marginal
    (3)   the designers of the reports and I contributed equally
    (4)   my contribution was substantial

24- In what ways do you feel that if you do not/did not participate in the design of the MAS reports used in communicating information within MAS your work would be affected?

25- Do you agree or disagree with the following statements.
(1) The MAS reports I receive lack sharp focus.
    Agree / disagree
(2) The MAS reports I receive contain irrelevant information to planning and control.
    Agree / disagree
(3) The MAS reports I receive contain unnecessary details.
    Agree / disagree

26- Do you find that the MAS reports that you receive are:

(1)   all historical reports
(2)   *mostly historical reports*
(3)   few of the reports are of a historical nature

27- How would forward looking MAS reports be useful to you in your work?
1-
2-
3-

28- How are corporate goals communicated to you?

29- Do you believe that a conflict exists between <u>achieving</u> the goals of your department and corporate goals? And if so why?

30- Do you feel that your departmental goals correspond with your own individual goals? And why?

31- Which activities do you feel are affected by a conflict among achieving your own goals, your departmental goals, and corporate goals?
How are they affected?

32- Are you satisfied with the criteria by which your performance is evaluated? And why?

33- When your work at one point <u>depends</u> on or <u>continues</u> the work of other managers; do you find that performance appraisal measures are <u>not clearly defined</u> at the bank whereby your achievement could be mixed-up with other managers' achievements? And if so why?

34- Do you find the information communicated to you through MAS <u>more helpful</u> in <u>control</u> than in <u>planning and decision making</u>?
 Why do you think it is so?

35- Could you specify and rank the main means of control at the bank according to their importance in monitoring implementation of plans and decisions?
<u>Rank</u>   Means
1-
2-
3-
4-

36- Do you prepare a budget for you department?

37- Do you think that having a budget for you department enhances your ability of goal achievement?
 And if so why?

38- Do you experience a tangible improvement in goal achievement yourself when budgets are coupled with budgetary control?

39- What activities in your work do you budget for?
1-

2-

3-

4-

And do you feel that budgeting for these activities is sufficient for implementing and controlling plans?

40- Which activities do you aim to control and report on to top management?

1-

2-

3-

and why?

41- If we define bureaucracy as an inflexible and non-adaptive system of administration, would you describe administration at the bank as

(1)   very bureaucratic

(2)   bureaucratic

(3)   partly bureaucratic

(4)   not bureaucratic

(If the answer to the above question was that administration at the bank is bureaucratic)

42- In your opinion why is it bureaucratic?

43- Do you find / or would you find having committees helpful to you in your work? And if so why?

44- For which activities do/would you find committees helpful?

1-

2-

3-

45- To what degree do you influence setting your department/branch goal?

(1) does not influence at all

(2) to a small degree

(3) most of the time

(4) all of the time

46- How accepting are your superiors to your opinions on matters related to your department /branch?

(1) very responsive

(2) most of the time responsive

(3) sometimes

(4) rarely

(5) my superiors do not want to hear my opinions

Appendix 4

	Interview Factor	1	2	3	4	5	6	7
1	Management Reports provide me with an information on: Where do I stand	✓	✓	I donot receive such reports	Internal department reports give me a good idea on where do I stand and problem areas	R&D Variance reports ✓	✓	does not provide K
2	Problem areas_	no	✓	NIR		✓	✓	K
3	degree of achievement of operational or corporate goals	no	no	NIR	—	Variance reports... ... for budget...	✓	NO as ...mention... on ...j
4	Finding Solutions		no	NIR	✓	—	NO	K
5	I look for focused / wide scope information	Focused —	Wide-scope information	NIR	Wide-scope Full info. at times focused.	dependes on like credit decision taken	For Long term decisions, I use wide scope.	Wide-sc
6	Use intuition / Objective information in decision making	Rely on data mainly gives me a feeling of security.	objective data. It is fair to employees + bank	NIR	NiR	my banking experience plays a part	My banking experience affects my decisions	Objective information... times
7	Influences in setting your goals	I recommend then GM+ Board approve way I prefer this	I recommend, GM approves 90% my recommendations. attainable	For technical matters there is little influence, but not administrative matters	I set my goals within the overall goals of the bank.	target are set by h.o.	strong influence from G H	Implicitly agreed by
8	Goals of your department	(1) Achieve growth in profits(ROI in investments (2) Increase value of work (3) Market share	1)Training Programme 2)Training expenses. 3)Carrer paths	-Increase capacity of IT System -Introduce new services	-To collect as much as possible old doubtful debts.	-% increase in Facilities and deposits	mentioned in the budget	-Improve skills of ... -cultivate common language culture -Boost the ... to ask clients -Increase volume of targeted cli
9								
1								

Interview Factor	FM 17 3	AM/R&FP 20 3	FM+DM 24 3	EM 30 3
In decision making? In Control?	Yes Yes	N/A Easier & more accurate	Yes Yes	Yes Yes
22 In what ways do you envisage the IT System can be more helpful to you?	(1) to speed decision by quick access & reporting.	(1) provide more details (2) data warehouse (3) new software for specialised procedures (4) more time for creative work	(1) computerise more reports 2) Link packages by gate-ways to integrate reports 3) better qualified IT people	"IT have easier access to info.
23 To what degree did you influence the design of MAS reports form & Content?	(4) my contribution was substantial	(4) my contribution was substantial	3) the designers and I contributed equally	(3) the designers & I contributed equally.
24 In what ways did your non participation affect your work?	I would have done manually what I did not get	(1) I would not get relevant info (2) Speed of info (3) Budgets would have been affected	(1) waste time (2) lower quality of work	(1) confuses my work, and structure of MAS would be affected
25 MAS reports I receive lack sharp focus?	Agree	Agree	disagree	disagree
MAS reports I receive contain irrelevant info. to planning and Control?	Agree	disagree	disagree	Agree
MAS reports contain unnecessary details?	Agree	Aagree	disagree	Agree
26 Do you find that MAS reports that you	(2) mostly historical reports	(3) few of the reports are of a historical nature	(2) mostly historical	(2) mostly historical reports

Appendix 6

Memo on Organisational Structure (2)

For the sake of protecting the secrecy of the bank's info. I can not get these 2 reports (B.S. & Credit facilities & deposits) directly from the IT dep. but through AGHIFP (inter 8). AGHIFP acts a gatekeeper, he decides who gets what information that is stored and processed by the IT dep. From the list given to me by IT manager 75% of all reports programmed by the dep. ~~go to the AGHIFP~~ to go to HO department as branches print their own reports. 61% go to AGHIFP, 25% go to GM, and 3 other departments receive 14%. If we exclude the GM then 81% of all reports programmed for HO dep go to AGHIFP. I am inclined to call this centralisation of info. and a manifestation of centralisation of power through information. ④

"... merging of responsibilities occur because of the GM clear directives and other managers will have to concede and cooperate with me"... I am sure he has good reasons for doing so." (inter 8). ③

On one hand (inter. 8) mentions that GM encourages teamwork and informality, and that OS of the bank is a simple one with few levels and encourages lateral exchange of info. When asked why do gaps in communication exist the answer was "I do not know ask AGHIFP he is responsible for the distribution of reports. Is it not that O.S. gave AGHIFP the power to block flow of reports and the right to decide who does or does not get info.??" *

"Responsibilities of departments are not very clear, this creates confusion as to who should be contacted for each matter." (inter 9) ③

"At times having through formal channels slows down communication and consequently the action the needs to be taken" (inter 9) ⑤

"I feel we need to have more coordination among HO and branches ... I need to know whom to report to in all matters." (inter 9) ③

"...(14) document approved work procedures that has to be applied regardless of (who is in a certain position or to who school he belongs to." (inter 11) ③

"... Now the O&BO dep is introducing a new OS and new work procedures. It is being ③+② resented and rejected by some of the bank employees/ managers. (inter 11). Keeping in mind that ~~th~~ out of the 13 ~~modified & shortlogy~~ HO managers I interviewed ... ~~were accepted~~ by the new GM when he took over and all were recruited from other banks"