

## “Management Control Systems and Decision-Making Dysfunctional Performance”

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### Introduction

Control systems seek to bring commonality of goals and process coordination within organisations. The need for goal sharing and coordination of activities and functions has become increasingly important among organisations in view of the increasing pressures on private companies to become more competitive and profitable to satisfy the requirements of their stakeholders. This continuous need for ever-improving bottom line performance indicators has largely influenced the internationalisation of business, in terms of seeking new markets and/or new sources of inputs, and in order to respond to the needs of customers. In parallel, government bodies and non-governmental organizations face new challenges from their own stakeholders, who demand more streamlined and efficient operations. A significant number of public services have now been privatised and subject to the same competitive pressures.

In such a context, public and private organisations alike have been reconsidering their internal processes. These processes are a key element to a better performance and/or efficiency, implying more congruence between the various sub-units and responsibility centres towards the organisation's goals and objectives. From this perspective, one can argue that control systems imply some level of regulation on the employees/agents' behaviour in an organization but also some level of empowerment to carry out their tasks.

### Management Control System (MCS)

There are diverse views on the nature, purpose and scope of MCS and the number of academic areas that research on this topic is clear evidence of such diversity. Organisational behaviour, accounting, management, public sector administration, and information systems are just some of these areas. Hence, the two following definitions may not be generally applicable ones but they certainly tie up to the challenges faced by organisations:

“A MCS is a set of interrelated communication structures that facilitates the processing of information for the purpose of assisting managers in coordinating the parts and attaining the purpose of an organisation on a continuous basis” (Maciariello and Kirby, 1994, p. 1)

“Management control is the process by which managers influence other members of the organisation to implement the organisation's strategies. The system used by management to control the activities of an organisation is called its management control system.” (Anthony and Govindarajan, 1998, p. 17)

In light of the various issues raised, the following questions are of pertinence:

1. To what extent do particular types of management control systems generate or limit behaviour, amongst subordinate managers in the application of those sub-systems?
2. To what extent is the relationship between MCS sub-systems and dysfunctional behaviour influenced by contingency variables?
3. Do institutional theory-inspired concepts, as perceived by a sub-unit manager, moderate the relationship between MCS sub-systems and dysfunctional behaviour?

### Scope

MCS is a generic term and this study will select specific management control sub-systems/mechanisms. The management control mechanisms will be budgetary participation (BP) and reliance on accounting performance measures (RAPM). In view of the financial orientation of these two control mechanisms, a non-financial control sub-system, namely standard operating procedures, will also be chosen. Since inter-relationships between these control sub-systems/mechanisms are not assumed, their impact on dysfunctional behaviour, as moderated by contextual variables, is considered.

BP and RAPM are the two sub-mechanisms that is selected on the grounds that there are still strong criticisms in terms of their lack of theoretical and empirical coherence within the contingency paradigm. The selection of contextual variables will be considered after an extensive review of current theoretical and empirical arguments. Task uncertainty will be viewed to be of considerable interest in light of the support expressed in the literature (Galbraith, 1973; Hartmann, 2000).

Since the focuses on functional middle managers, it will be proposed that respondents will be subject to institutional influences within the organization, subsumed within the construct of the legitimating nature of controls (as perceived by these managers), and which can be associated to the need to maintain appearances and rational behaviour within the organisation.

This empirical study is based on data collected from mailed questionnaire surveys. The target sample is Indian functional managers of manufacturing companies, predominantly involved within the marketing and production functional areas, since it is believed that they are the main category of managers that interact with management control systems. The list of managers and companies is identified from established business directories. Whilst the MCS and task uncertainty variables are measured using constructs adapted from previous studies, the forms of dysfunctional behaviour, superior's use of controls and the perceptions on the legitimating nature of controls will be developed to a greater extent.

## Limitations

The study also wishes to accept certain limitations, especially with reference to:

- a) Due to the financial & time constraints the study will be limited to our place thus the conclusion arrive in the end will rely in short term experience.
- b) Being an opinion survey, the personal biases of the respondents may be entered into their responses.
- c) Time constraints, resource constraints will be some of the limitations.
- d) The sample may affect the results of the study, therefore, the findings & conclusions of the study will only be suggestive & not conclusive.
- e) The sampling error that may appear due to the kind of sampling technique adopted.
- f) Indifference and lack of interest dispose by a few respondents may lead to unauthentic responses.
- g) Time will be proved to be a major constraint as far as collection and analysis of data is concerned.

We have covered all the major aspects and elements which are to consider in the present work.

The control systems involving tools such as budgets, variance reports, standard operating procedures, or performance-based remuneration or more recent techniques such as the balanced scorecard are specifically designed to ensure goal congruence. How control systems facilitate the monitoring or regulating of the behaviour of directors, managers and other supervisory personnel in an organization. In contrast, this section also give an explanation about contemporary management theories which suggest managers have been empowered in terms of having authority to take decisions whilst being accountable to the higher levels of management.

## Theoretical and Empirical Literature Review

A review of the findings related to the selected MCS sub-systems/mechanisms is detailed. A third part will consider the use of dependent variables in contingency theory-based studies and a discussion on the need to focus on dysfunctional behaviour. This also highlight the main issues and limitations arising from the research methods applied in contingency-based research. Finally, it concludes with an analysis of lessons learned and provide detailed explanation of the gaps to be taken up by this study.

## Institutional Perspectives and Legitimacy

This considers the perspective of institutional theory. A general review of the aspects and implications of the theory is presented. Whilst the and Powell's (1983) view of new institutionalism is analysed, and examine the more critical views of Brunsson (1989) on the institutional processes within organisations. These is lead towards suggesting the use of an institutional theory based variable in the MCS area.

## Development and Empirical Scheme

This puts forward the detailed study, in terms of the relationships between the selected individual components of MCS and dysfunctional behaviour, as influenced by the relevant contextual variables. The will first consider the direct effects and the implications of indirect effects in understanding MCS and dysfunctional behaviour. On a separate level, the influence of the legitimating nature of controls will be examined.

Research Scholar

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