

University of Warwick institutional repository: <http://go.warwick.ac.uk/wrap>

**A Thesis Submitted for the Degree of PhD at the University of Warwick**

<http://go.warwick.ac.uk/wrap/49226>

This thesis is made available online and is protected by original copyright.

Please scroll down to view the document itself.

Please refer to the repository record for this item for information to help you to cite it. Our policy information is available from the repository home page.

**The Practices of Managing Performance: Accounting, Accountability  
and Cultural Practices in a Privatised Pharmaceutical Organisation**

**By**

**Zamzulaila Zakaria**

**A thesis submitted in partial fulfilment of the requirements for the degree of  
Doctor of Philosophy**

**Accounting Group, Warwick Business School**

**The University of Warwick**

**May 2011**

## TABLE OF CONTENTS

TABLE OF CONTENTS	2
ABBREVIATIONS	8
ACKNOWLEDGEMENTS	9
DECLARATION	10
ABSTRACT	11
<b>Chapter 1: Exploring the Constitutive Role of Accounting in Managing Performance</b>	
1.1. Accounting and Everyday Practices	12
1.2. Background of Organisation	16
1.3. The Constitutive Role of Accounting in the Process of Managing Performance	17
1.4. Structure of the Thesis	22
<b>Chapter 2: The Practices of Managing Performance in a Privatised Pharmaceutical Organisation</b>	
2.1 Introduction	25
2.2 The Practices of Accounting and the Practitioners' Intentionality	27
2.3 The Interplay of Accounting, Accountability and Cultural Practices in the Practices of Managing Performance in a Privatised Organisation	31
2.4 The Stability and Change of Accounting Practices	37

2.5 Conclusion	43
----------------	----

### **Chapter 3: Research Design**

3.1 Introduction	44
3.2 Philosophical Stance of my Research	44
3.3 What is Knowledge?	45
3.4 The Meaning of Accounting Practices	47
3.5 Methodology	49
3.5.1 Interpretive Methodology	49
3.5.2 Ethnography	51
3.6 The Fieldwork	54
3.6.1 Gaining Access	56
3.6.2 Data Collection Methods	57
3.7 Data Analysis	62
3.8 Consideration of Reliability and Validity	66

### **Chapter 4: Managing Dual Accountability: Accounting and Strategising in a Privatised Pharmaceutical Organisation**

4.1 Introduction	69
4.2 Theoretical Framework and Literature Review	76
4.2.1 Theorising the Practices of Accountability	76
4.2.2 The Interplay of Accounting, Strategising and the Practices of Accountability	79

4.3 Studies on Processes of Accountability –	
Hierarchical vs. Socialising Accountability	88
4.4 The Case of a Privatised Pharmaceutical Organisation	92
4.5 Everyday Practices of Accountability: The Consequences	
of the Concession Contract	95
4.5.1 The Practices of Accountability - Hierarchical Form of Accountability	95
4.5.2 The Practices of Accountability – Socialising Form of Accountability	98
4.6 Managing Dual Accountability	107
4.7 Discussion	116
4.8 Conclusion	121
<b>Chapter 5: Accounting and Culture: A Practice Perspective of Stability and Change</b>	
5.1 Introduction	124
5.2 Theorising Cultural Practices – Exploring the Role of Agency	128
5.2.1 Practices, Agency, Discourses	128
5.2.2 Practices and Culture	133
5.3 Stability and Change as Subcultural Practices	137
5.3.1 Studies on Subcultural Practices	137
5.3.2 Agency and Culture in the Studies of Stability and Change	140
5.4 The Case Study Organisation- MNPharma Group of Companies	144
5.5 Ethnography of Logistic Division	149

5.5.1 General Overview of the Activities in Logistic Division	149
5.5.2 The Process of the Coexistence of Stability and Change in the Warehouse Department: The Interplay between Agencies and Subcultural Practices	151
5.5.2.1 Altering the Warehouse Cultural Practices: The Agency of the Former Warehouse Manager, New Management Team and TOPIC	151
5.5.2.2 Putting Accounting Measures into Action: The Role of Human and Non-human Agency in Government and Private Team	161
5.6 Ethnography of Manufacturing Division	166
5.6.1 General Overview of the Activities in Manufacturing Division	166
5.6.2 The Process of the Coexistence of Stability and Change in the Manufacturing Division: The Interplay between Agencies and Subcultural Practices	170
5.6.2.1 Altering the GMP Cultural Practices: the Agency of Finance Team	170
5.6.2.2 Putting Accounting Measures into Action: the Role of Human and Non- human Agency in the Mesh of Accounting and GMP Practices	173
5.7 Discussion	180

5.7.1 Meaning and Practices	180
5.7.2 Stability and Change as Subcultural Practices	184
5.8 Conclusion	189
<b>Chapter 6: Key Performance Indicators and the Process of Goal Alignment: Exploring the Role of Accounting in the Organisational Control Mix</b>	
6.1 Introduction	193
6.2 Theoretical Framework and Literature Reviews	198
6.2.1 Practice Theory Perspective of Understanding Goal Alignment	198
6.2.2 Studies on Performance Management	202
6.3 The Organisation's Performance Management System	207
6.3.1 The PEPSI	207
6.3.2 The Emergence of High Performance Culture	210
6.4 The Practices of Performance Management	213
6.4.1 Transforming "Complacency Culture"	213
6.4.2 The Consequences of Interdependence-The Problem of Goal Alignment between Departments and Divisions	217
6.4.3 The Perception of KPIs	222
6.5 The Process of Goal Alignment	225
6.5.1 Management Programme – TOPIC	225
6.5.1.1 Style of Managing Performance	227
6.5.1.1.1 Face-to-Face and Leading by Example	227
6.5.1.1.2 The Role of Meetings in Promoting Open Communication and Teamwork	230

6.5.2 Change of Organisational Structure	232
6.5.2.1 The Merger of Manufacturing with Sales and Marketing	232
6.5.2.2 Demerger Again	235
6.6 Discussion	238
6.7 Conclusion	245
<b>Chapter 7: Managing Performance in a Privatised Organisation: Putting Accounting into the Context of Dual Accountability and Cultural Practices</b>	
7.1. Introduction	248
7.2. Research Contributions	253
7.3. Limitations of the Research	259
7.4 Opportunities for Future Research	262
REFERENCES	266
APPENDIX 1: SUMMARY OF RESEARCH ACTIVITIES	277
APPENDIX 2: INTERVIEW GUIDES	283

### **Key to Transcripts**

...	Pause
[...]	Omission
[ <i>comment</i> ]	Added comment to aid understanding

## **Abbreviations**

ANT	Actor-Network Theory
BSC	Balanced Scorecard
GMP	Good Manufacturing Practices
KPI(s)	Key Performance Indicators
MOQ	Minimum Order Quantity
ROI	Return on Investment

## **Acknowledgements**

All praise to Al-Mighty Allah SWT for giving me strength, guidance and blessings and for sending me so many wonderful people who have helped me throughout this study.

My heartfelt gratitude goes to my supervisor, Professor Thomas Ahrens, who has been my greatest support throughout the PhD process. His constructive comments, encouragement and, most importantly, his patience in guiding me, are thoroughly appreciated. My deep appreciation also goes to my second supervisor, Dr Simona Scarparo, for her advice, guidance and positive comments.

I would also like to record my appreciation for the financial support received from the Government of Malaysia, the International Islamic University, Malaysia, and Warwick Business School.

I also wish to thank friends who have given me unconditional support: Azmin Azliza Aziz, Debbie Anderson, Hawa Ahmad, Jane Hall, Marhaini Mahmood, Mazni Abdullah, Michael Oraro, Satoko Matsugi, Suaniza Mamat, Wan Rohaida Wan Husain, Zarina Zakaria and Zsuzsi Pek.

Finally, my special gratitude goes to my parents and my brothers who inspired me with their love and prayers. I thank them for their trust and for supporting my surprising decision to come to the United Kingdom to pursue this study.

## Declaration

This is to declare that:

- I am responsible for the work submitted in this thesis.
- This work has been written by the author.
- All verbatim extracts have been distinguished and the sources specifically acknowledged.
- During the preparation of this thesis a number of papers were prepared as listed below.

## Seminar/Workshop Presentations:

2008 “Accounting for Trust as cultural practice: a field study of a pharmaceutical organisation”, Management Accounting as Social and Organizational Practice, 2-3 April, London School of Economics, UK.

2009 “Integrating Culture and Performance: A Field Study of a Pharmaceutical Organisation”, Emerging Scholars Colloquium, Interdisciplinary Perspectives on Accounting Conference, 9-11 July, Innsbruck University School of Management, Austria.

## Conference Publication

2010 “KPIs and Goal Alignment: An Empirical Study on Intended Consequences of Performance Management”, 7<sup>th</sup> Conference on New Directions in Management Accounting, 15-17 December, EIASM, Brussels, Belgium.

The remaining parts of the thesis are unpublished.

This work has not previously been submitted within a degree programme at this or any other institution.



Signature: \_\_\_\_\_

Date: 04/08/2011

## Abstract

This study seeks to understand the practices of managing performance in a privatised pharmaceutical organisation. In particular, it examines the interplay of accounting, accountability and cultural practices in the everyday practices of managing performance in the organisation. Based on an intensive field study of five months, an ethnographic approach was selected and data collected through observations, interviews and reviews of documents. Drawing on practice theory, this thesis provides an insight into how accounting as part of the constituents of organisational control systems was implicated in the practices of managing dual accountability, cultural change and the process of goal alignment. Contrary to the notion that accounting is mainly associated with the exercise of hierarchical accountability, the case illustrates practical and general understandings of accounting were enacted through socialising accountability. Additionally, it describes the way in which accounting and strategising were implicated in the practices of managing dual accountability in the organisation. In light of the implementation of KPIs in the organisation, the mesh of accounting and other organisational practices are explored, the consequences of which are explained in two findings. Firstly, the study argues that the coexistence of change and stability of accounting practices is the outcome of the interplay between agency and subcultural practices. This study suggests that subculture resides in practices, which influences the way in which accounting is used in the organisation. Secondly, the thesis discusses the uses of performance measurement in managing the interdependence of practices and to promote goal alignment. The implementation of the management programme and the change of organisational structure are illustrative of the process through which accounting and non-accounting control relate in the process of goal alignment.

Keywords: Accounting, Accountability, Change, Culture, Goal Alignment, KPIs, Practices, Strategising, Stability.

# Chapter 1

## Exploring the Constitutive Role of Accounting in Managing Performance

### 1.1 Accounting and Everyday Practices

“Against the image of accounting practices developing in a linear fashion towards greater accuracy or truthfulness, the new accounting history is concerned with significant shifts or transformations of accounting and social relations and the struggles associated with these.” (Miller et al., 1991, p.399)

In supporting the call for “the new accounting history” (Miller et al., 1991), the focus of the research in accounting change has been channelled to include the diversity of the forces of change, such as the role of agents, their agencies and the practices with which they have engaged. The role of accounting within an organisation has now to be understood as part of the complex interweaving of various everyday organisational practices in which the mesh of accounting and other organisational practices is viewed as the outcome of the interplay between accounting and the wider socio-economic environment, an insight that could unveil the detailed processes and sources of accounting change (Burchell et al., 1980, 1985; Hopwood, 1983, 1987, 1994).

Drawing on Hopwood’s call for an understanding of accounting in everyday life (1994), this study is concerned with perceiving the phenomenon of change as part of the on-going interplay between accounting and everyday organisational and social practices, although many of these “[...] are seemingly distant from the techniques of the accounting craft” (p.299). Rather than treating the practices of accounting in organisational and social practices as two independent phenomena, this study is informed by Burchell et al., (1985) who argue that the relationship between the practices of accounting and the social can “ [...] be seen that the

social, or the environment, as it were, passes through accounting. Conversely, accounting ramifies, extends and shapes the social” (p. 385).

In everyday practices, the significance of accounting does not flow naturally from its characteristics; rather, it lies in its uses, such as if it is used in enabling ways (Ahrens and Chapman, 2004); accounting can be moulded and reformulated in line with the wide array of activities within an organisation (Hopwood, 1994). Some scholars argue that accounting is a complementary control in the network of control systems (Ahrens and Chapman, 2007; Ahrens and Mollona, 2007; Miller and O’Leary, 1994); others, such as Abernethy and Chua (1996), suggest that accounting is not essential if other control systems are effectively working in the organisation. Therefore, accounting would not lose its relevance, as has been recently debated (Johnson and Kaplan, 1987) as long as it is not a static craft.

The early studies that propose research into accounting change, such as Hopwood (1983, 1987, 1994), Burchell et al. (1980, 1985) and Miller et al. (1991), have been influential in encouraging further empirical studies; in many of these the analysis of everyday practices of accounting has centred mainly on the modification of such practices in response to organisational change (Ahrens and Mollona, 2007). As a result, we tend to forget the constitutive role of accounting as part of on-going everyday practices. The everyday practices of accounting are equally relevant to a change in understanding the functioning of accounting within an organisation. This is important because continuity is always present at some point in the era of change (Feldman, 1986; Ahrens and Mollona, 2007), i.e. stability and change coexists in an organisation.

A privatised organisation is often selected (e.g. by Abu Kasim Nor Aziah and Scapens, 2007; Conrad and Sherer, 2001; Dent, 1991; Ogden, 1995) as the context for studying accounting change, since this setting offers the advantage of exploring the role of accounting in the process of transition to the new regime of accountability. The extant studies in such settings have illustrated how the role of accounting has changed from being concerned with fulfilling statutory requirements and control to one which focuses on cost minimisation and profitability (Ogden, 1995). Such changes also are often associated with the role of agents. Dent observes (1991, p. 719):

“The Business Managers’ participation in the operation of these systems gave them a context to interact with others and question the rationale underlying railway decisions. In meetings, they could be seen translating operational and engineering concerns into the new profit calculus, feeding their financial vocabulary back into the stream of discourse. Appealing to the “ideal” of the profit-conscious customer-oriented private sector manager, they challenged and sometimes ridiculed beliefs.”

The discussions of the roles of business manager by Dent, or of finance manager as narrated by Busco et al. (2006), are among some of the many studies concerned with agency. Often in such studies, the roles of the agents are linked to their historical affiliation, socialisation and other factors that drive their motivation. For instance, Dent illustrates how the appointment of business manager was a strategy adopted by the senior management in order to improve financial performance. As such, these studies have led us to believe that accounting is a craft that can be shaped and moulded according to the intention of the practitioner. In the present study, the concept of intentionality is particularly important in explaining the role of human and non-human agency (Schatzki, 2002) by illuminating the stability and change of accounting practices and the role of accounting as part of the organisational control mix.

Dent and others point out that the role of agents and their agencies is an important process that promotes the diffusion of accounting practices within an organisation. Schatzki argues “[...] the fact that agency is the central motor of a constant becoming that sweeps the social site” (2002, p. 189). Nevertheless, to understand the role of accounting within diverse organisational and wider social practices, agency is not to be considered in isolation from the accounting practices (Hopwood, 1987). Agency, according to Schatzki (2002) is “doing” (p. 191) and agency “makes the future within the extant mesh of practices and orders that prefigures what it does” (p.210).

It has been asserted that organisational culture is among the important elements that shape the relationship between agency and practices in the process of accounting change (see, for example, Bhimani, 2003; Dent, 1991; Scapens and Roberts, 1993). The present study argues that subcultural practices influence the stability and change of accounting practices. An accounting practice, for instance, is a set of bodily doings and sayings (Schatzki, 2002) that symbolise certain meaning, including the priorities or the economic standing of specific subgroups within the organisation. As such, practices are culturally expressive through the doings and sayings that symbolise the meaning in terms of which the participants in the practice “actually represented themselves to themselves and to one another” (Geertz, 1987; p. 136).

As indicated by Ahrens and Mollona (2007, p. 328):

“By conceiving of organisational culture as dependent on practices whose meaningful ordering in turn depends on the organisational subcultures’ symbolic systems, attention is

drawn to the interrelationships between diverse formal and informal, practical and conceptual, human and non-human elements of control.”

In studying the processes of accounting change, therefore, attention is directed to various organisational and social practices within which accounting is interpreted, articulated and constructed. Further, the extent to which agencies could shape the practices of accounting is dependent on the mesh of accounting and other organisational practices which prefigure the role of human and non-human agencies (Schatzki, 2002).

## **1.2 Background of Organisation**

The ethnographic study was conducted within an organisation, namely MPharma<sup>1</sup>, which was established in the early 1990s as part of the privatisation programme in the country. Under the privatisation programme, the organisation was to take over the function of the Government Medical Warehouse, a procurement arm of the government. The privatisation agreement gave MPharma the right to a 15-year concession to supply and distribute pharmaceutical products to government hospitals and clinics. To strengthen its profile in the pharmaceutical industry in the country, it merged with N- manufacturing in the late 1990s and changed its name to MNPharma, floating its share on the country's stock exchange. The government also holds a controlling stake in its parent company, awarding the organisation a status as one of the Government Related Companies (GRCs). As a GRC, the government and general public are continuously monitoring its performance. At the time of the study, the organisation was actively promoting TOPIC<sup>2</sup>, its programme of cultural change, and implementing Key Performance Indicators (KPIs)

---

<sup>1</sup> pseudonym

<sup>2</sup> TOPIC represents T=Teamwork, O=Open Communication, P=Passion for Excellence, I=Integrity and C=Caring.

as a measure of organisational performance. The significance of the context of this ethnographic study and its influence on accounting, accountability and cultural practices in this organisation were explored through the study, the empirical findings of which are discussed in Chapters 4, 5 and 6 of this thesis.

### **1.3 The Constitutive Role of Accounting in the Process of Managing Performance**

Accounting is a practice that not only reflects the domain in which it functions, but also actively shapes the domain (Burchell et al., 1980, 1985; Hopwood, 1983, 1987). The historical analysis of value added statements in the UK by Burchell et al. (1985), for example, explains the processes by which the intertwining of accounting and social practices occurs. The existence of the three arenas, or “accounting constellation”, in their study provides the space that influences the practices of value added statements, while these arenas are constructed in response to the issues related to the value added statements. The emergence and the decline of value added statements provide a lesson on the interdependence between accounting and the social. The promotion of worker right and industrial democracy that demands more information disclosure, for instance, creates the significance of value added statements, while the existence and activities of labour relations are not totally free from the influence of value added statements that offer the means to guide the actions of employees and management.

The constitutive role of accounting, however, should not be limited to an explanation of the macro phenomenon of accounting change, such that described by Burchell et al.

(1985). The social practices are brought into the realm of organisational practices through the enactment of day-to-day activities, via the role of the agents and their agencies. Important consideration is also given to the extent to which the practitioners of accounting understand how their practices make an impact on wider social practices and how they incorporate this understanding into the organisational practices of accounting. Such activity mirrors what suggested by Comaroff (2010) on the course of actions in preserving the relevance of anthropology discipline:

“First among these operations is the critical estrangement of the lived world, itself founded on a double gesture-on the deconstruction of its surfaces and the relativizing of its horizons-thus to pose the perennial question: What is it that actually gives substance to the dominant discourses and conventional practices of the world, to its subject positions and its semiosis, its received categories and their unruly undersides, to the manner in which it is perceived and experienced, fabricated, and contested?” (p. 530).

This defence by Comaroff of the future of anthropology is equally relevant in guiding our understanding on the relation between the role of accounting within the social and organisational practices. To understand the constitutive role of accounting in an organisation therefore requires an analysis of the meaning of accounting, or “what accounting is” (Schatzki, 2002, p.47), in the context of its practices, so that we may point to “[w]hat is it that actually gives substance to the dominant discourses and conventional practices of the world” as argued by Comaroff (ibid.). The argument that meaning is derived from practices is shared by anthropology discipline, where cultural studies are conducted by focusing on arrays of activities and human agencies in the manner, described by Comaroff, in how it is “perceived and experienced, fabricated and contested” (ibid.) by the participants of the practices. The practices of accounting in an organisation are therefore not homogenous (Hopwood, 1994) and they are shaped by “what accounting is” to the

practitioners and the interplay between accounting and the organisational and social context in which the practices exist.

The present study observes how managing performance is the most important concern of the senior management. The organisation's dependency on the concession business and the intense competition in the generic pharmaceutical market present a great challenge to the organisation to enjoy sustainable performance continuously. In managing performance, significant efforts have been invested in encouraging goal alignment among its departments and divisions. To this end, KPIs were implemented and a corporate cultural programme was introduced.

Since my aim in this thesis is to explore the way in which accounting is implicated in the process of managing the organisational performance, the study of the constitutive role of accounting is based upon three research objectives:

Privatisation is a worldwide phenomena and managing dual accountability is one of its common characteristics. Motivated by the specificity of this context, the objective of the present study is concerned, firstly, with how accounting is implicated in the practices of managing dual accountability within the organisation. The role of accounting in influencing the transformation of the accountability framework in a privatised organisation has been discussed quite extensively in accounting literature; however, there is very little evidence of a process of managing dual accountability, in particular the way in which accounting and strategising are implicated in such a process within the everyday

practices of the organisation. This inquiry aims to show that the practices of accounting in managing accountability are partly social and technical (Burchell et al., 1980, 1985; Hopwood, 1983, 1987, 1994). This implies that accounting is not only implicated in the processes of accountability as a means to justify action or as a mechanism of control from a distance (Roberts and Scapens, 1985) that supports the exercise of hierarchical accountability, but is also dependent on its socially accepted practices in a privatised organisation and the course of actions that are deemed intelligible in such an organisation, which are advanced through socialising accountability. The expectation that a privatised organisation continues to be accountable to the general public in similar ways as in the pre-privatisation period shapes the practices of accounting in the organisation. Such expectation tends to lead to the heterogeneous practices of accounting based on how the practitioners draw on accounting practices as the source of their general and practical understandings.

Further, the heterogeneous practices of accounting in the organisation indicate the importance of agents and agencies in influencing both the stability of, and changes in, accounting practices. Given the key research interest that is concerned with the role of accounting in everyday practices, the second objective of this thesis is to show that the dynamic relationship between agency and subcultural practices is the key aspect that could explain the phenomena of accounting change in this organisation. Change is a phenomenon that is neither isolated from nor opposite to stability. Change and stability coexist as a result of the on-going constitutive relationship between subcultural practices and agency. Nevertheless, in a particular time and space, we may observe a phenomenon

which is more or less changing or more or less stable (Schatzki, 2002) depending on how extensive the alteration of the understandings, rules and teleo-affective structures would be as a result of the co-dependency between agency and subcultural practices.

One role that accounting plays in an organisation is to articulate the organisational priorities and values by pointing, for example, to the achievement of the mission and strategic objectives of an organisation through its use of quantitative language of measurement (Burchell et al., 1980). The popularity of such management accounting control systems as the budgetary system, KPIs and balanced scorecard is partly derived from their perceived role in articulating the organisational performance. The ability of accounting to articulate organisational priorities is not exclusively derived through its technical characteristics (Hopwood, 1987). More powerful than its technical properties are its discourses that enable change in the organisational practices. For instance, the transformation of organisational practices in many privatised organisations is attributed to the mobilisation of accounting discourses such as cost effectiveness, efficiency and profitability.

The third objective of the present study is related to the idea that, in the functioning of contemporary organisations, accounting is not a stand-alone practice; rather it is part of the constituents of the overall network of organisational control systems. As one of the elements in the organisational control mix (Abernethy and Chua, 1996), the practices of accounting are continuously influenced by the changes in the other components of the control mix. This study seeks to explore the interdependence of accounting with other

forms of control systems in the control mix arrangements, and the way in which it contributes to the process of goal alignment, a role that often associated with its design.

#### **1.4. Structure of the Thesis**

This thesis is presented in seven chapters. Chapter 1 has discussed the general overview, the organisational background and the key research objectives that guide the thesis as a whole. It aims to emphasise the constitutive role of accounting in the everyday practices of the organisation and traces the extent to which accounting is implicated in the process of managing performance in the organisation.

Central to the thesis is an understanding of the practices of performance management in the organisation. Chapter 2 discusses the role of practitioners' intentions in shaping the uses of accounting in the practices of managing performance. Building on practice theory framework (Schatzki, 2002), the practices of accountability, the stability and change of accounting practices and the process of goal alignment are theorized as the effects of the mesh of accounting and other organisational and social practices.

Chapter 3 describes the philosophical stance and methodology adopted in this research. Consistent with the aim to understand the everyday practices of performance management in the organisation, the research was conducted using an ethnographic

approach. The procedures of the research, such as gaining access, data collection methods and analysis of data are narrated in detail.

Following the objectives and methods discussed in the first three chapters, the empirical findings of this thesis are presented in Chapters 4-6, organised around three interrelated themes that emerged from the research.

Based on the organisation's specific relations with the government under the concession contract, and on the stringent rules of the regulated industry, the practices of managing dual accountability are presented in Chapter 4. It is argued that these practices embody an understanding of accounting and the role of strategising; further, the relationship between accounting, accountability and strategising as part of the on-going everyday practices within an organisation is demonstrated.

Moreover, this chapter shows that the coexistence of hierarchical and socialising accountability in the organisation is understood to be the result of the interdependence between them and their interplay which occurs through strategising. As strategising takes place through the role of actors whose understanding is shaped by the mesh of accounting with other organisational knowledge, Chapter 4 turns our attention to a discussion on the way in which accounting is implicated in the strategic actions of the organisational members. It suggests that strategising is a process influenced by practical intelligibility. The selection of how the understanding of accounting influences the action of

organisational members in the practices of managing performance and accountability is dependent on what makes sense in a continuous flow of activities.

Chapter 5 presents the significance of the mesh of accounting and other organisational practices in enriching our understanding of management accounting change and stability by emphasising the role of agency in bringing about change and stability. It also illustrates the effect of subcultural practices in setting the organisational priorities. This chapter contrasts the effect of accounting on organisational practices in the logistic and manufacturing divisions.

Chapter 6 further illustrates the interdependence of activities in these two divisions and explicates the role of KPIs in aligning the divisional intents with those of the broad organisation. This chapter is mainly devoted to understanding the consequences of the implementation of KPIs and how the notion of practices and orders explains the role of KPIs as part of the package of organisational control. It shows how accounting becomes an influential discourse when it is well articulated and mobilised with other elements of the control system within an organisation.

Chapter 7 provides a conclusion and summarises the contributions of the thesis.

## **Chapter 2**

### **The Practices of Managing Performance in a Privatised Pharmaceutical Organisation**

#### **2.1 Introduction**

Literature in management accounting has for the past decade been concerned with performance management systems. Stringer's review of field studies (2007), which adopted Otley's (1999) performance management framework, reveals a wide range of studies of performance management. Further, the studies of performance management have been multi-disciplined (Thorpe and Beasley, 2008). The characteristics of a performance management system, which usually cover interrelated activities and are included in the responsibilities of different functions within an organisation (Otley, 2008), could explain why it is treated as a phenomenon shared by many disciplines (Holloway and Thorpe, 2008). While performance management provides unlimited potential for academic inquiry, this thesis focuses on the interplay between accounting, accountability and cultural practices in the practices of managing performance, themes that emerge from an ethnographic study of a privatised pharmaceutical organisation. These themes are typical of those noted in prior studies in similar settings, but the present study aims at exploring the interplay between accounting, accountability and cultural practices as part of everyday practices in managing performance in a privatised organisation.

Drawing on Schatzki (2002), a practice is defined as an array of activities that is ordered by general and practical understandings, rules and teleo-affective structures. An

individual is said to be a participant of a practice when she shares similar understandings, rules and teleo-affective structures. Schatzki defines practical understandings as the specific ability to carry out the practice: “Knowing how to X, knowing how to identify X-ings, and knowing how to prompt as well as respond to X-ings.” General understandings, on the other hand, do not require a great detail of knowledge of how to carry out the practice but a level of understanding that is just sufficient to make sense of the practice. Rules are explicit formulations that govern how to perform specific actions - for example, the procedures, guidelines or instructions that one has to follow when dealing with the storage of expired products in a manufacturing setting. Teleo-affective structure is a range of ends, projects, tasks and affectivities that are “expressed in the open-ended set of doings and sayings that compose the practice and are unevenly incorporated into different participants’ minds and actions” (p. 80). For instance, an individual employee in a warehouse department may have her own version of the warehouse intentions based on her experience, education or socialisation in the warehouse floor. Someone who is trained to graduate level in logistics might have a different notion of efficient logistic practice from that of their colleague with a different educational background. However, the understandings, rules and teleo-affective structures that order a practice are the properties of a practice and not of an individual or the sum of individual properties.

Practices are basically intertwined. A particular activity - for example, the preparation of the monthly budget - might belong to practices for managing performance, for accountability or for reporting. In such a situation, these practices overlap because they share similar activities. In managing performance, therefore, an awareness of the

interconnection between various activities is very important because an alteration in one activity might affect various other practices.

This chapter is organised into five sections. The next section discusses the constitutive and discursive role of accounting and its relationship with practitioners' intentionality. The chapter then proceeds with a discussion of the interplay between accounting, accountability and cultural practices in a privatised organisation. Following this, the chapter considers stability and change of accounting practices; in particular, it explains the role of agency and subcultural practices in bringing about stability and change. A brief conclusion is offered at the end of the chapter.

## **2.2 The Practices of Accounting and the Practitioners' Intentionality**

Within the interpretive management accounting literature, many studies have been devoted towards understanding the constitutive role of accounting in action; accounting is argued to be a tool to reflect the changes in environment while also shaping the environment of which it is part (Burchell et al., 1980, 1985; Hopwood, 1983, 1987). Such concern is based on the assertion that accounting is not a homogenous practice (Hopwood, 1983), and the heterogeneous practice of accounting explains partly why accounting is continuously relevant in everyday practices. This is because its usefulness lies in the hands of practitioners who mobilise accounting and other organisational knowledge with certain intentions.

“What counts as accounting”? (Miller and Napier, 1993, p.631) is perhaps among the important questions to be posed in arriving an understanding of the role of accounting in an organisation. For instance, Miller and Napier (1993) have urged for more appreciation of how accounting is given meaning in different time and space. The meaning of accounting, or “what accounting is”, is inseparable from the context in which it is employed (Ahrens and Chapman, 2007; Burchell et al., 1980, 1985; Chua, 1995; Hopwood, 1983, 1987) and “[t]he discursive nature of accountancy provides a special idiom in which those who participate can define their actions, a particular way of setting out the possibilities and the limitations of certain practices” (Miller and Napier, 1993, p.645).

The discursive nature of accounting has been the feature that promotes its on-going enactment as a social practice. The practice of accounting is not independent of the wider social discourses (Miller and Napier, 1993; Preston et al., 1992) and other discursive development in the intra- or inter-organisational sphere. This has been well illustrated in the field studies of accounting in action, such as the role of accounting in the transformation of public sector organisations (Chua, 1995; Dent, 1991; Preston et al., 1992). The emergence of clinical accounting in the US (Preston et al., 1992), for instance, is the outcome of the series of interplays between the politics of the health care, the changes in medical practices and the discourses between government, hospitals and insurers (p.88). The introduction of DRG prospective payment to replace the cost reimbursement system, for example, requires the medical practitioners to redefine their role in that new calculative order. The medical activities have to be conducted within the pre-determined cost and the medical practitioners are expected to meet both the financial

interest of the hospitals, the medical expectations of the patients and the state's agenda that aims for a healthy population. The introduction of DRG prospective payment changed the discourse of accounting from an instrument to recover medical expenditure, to one of cost control and forced the medical practitioner to balance financial and public accountabilities.

The influence of accounting is not restricted to the arena where the causal relationship between financial performance and organisational core activities is easily identified. Field studies of accounting in action have shown that the practices of accounting are not only located in the formal demarcation of organisational boundaries such as business units or production processes, but they have also permeated contexts such as meetings that often escape the surveillance of an accounting system (Vaivio, 2006). As "there is no 'essence' to accounting and no invariant object to which the name 'accounting' can be attached" (Miller and Napier, 1993, p. 631), it is therefore not quite appropriate to associate accounting as a tool simply for measuring financial performance. The discursive role of accounting is equally important in improving the visibility of organisational practices; significantly, it also uncovers certain aspects of everyday practices that are essential for the achievement of organisational strategy but not directly translated into financial performance. Many of the undertakings that help to organise and promote the continuity of organisational core activities are located outside the realm of financial measurement. For instance, while the speed of the operator in connecting the phone call to the respective departments, the face to face meetings between the subordinates and managers, or the regular visits of customer service personnel to clients' offices, are all non financial in nature, they are of equal importance as financial measurements of performance. It is therefore hard to dismiss the

presence of accounting in everyday practices within an organisation, as the significance of accounting may integrate with organisational practices in the mode of financial and discursive practice.

The calculative and discursive characteristics of accounting have been noted to influence its own practices (Hopwood, 1983, 1987), yet the practitioners' intentions are equally important in determining the practice of accounting in an organisation. The meshing of accounting and other organisational practices is the outcome of human intentions. According to Schatzki (2002), the idea of intentionality could be interpreted as being demonstrated when "people perform actions and have understandings, thoughts, and emotions, and so on; and that these actions, understandings, thoughts, and emotions are about or directed toward things" (p.44). The study of Ahrens and Chapman (2007) is illustrative of how managerial intentionality framed the practice of the management control system in the Restaurant Division that they investigated. For instance, the management in the restaurant sought every year to develop "13 Key Tasks", a set of focus areas which aimed to govern the activities in the division, yet alongside this strategic focus, managers were expected to use their skills and contextual knowledge in judging the most sensible actions in the pursuit of the strategic objectives of the restaurant.

The practice of weekly business development meetings is another example of how the nexus of activities - ranging from the delivery of the raw materials, food preparation, the physical arrangements of the restaurant, the skills of the staff, the experience of the restaurant manager, the reporting of performance and the keeping of a log book - were all mobilised and made meaningful within the context of the restaurant's management

control system. Managerial intentions set the tone of the system but it was within the understandings, rules and ends of a wide array of activities in a specific restaurant that it was given meaning and meshed with other types of local control, such as face-to-face surveillance and coaching, thus encouraging the members to contribute to the enabling uses of the system (Ahrens and Chapman, 2004).

The role of intention is therefore very important in shaping the uses of accounting in the practices of managing performance. As noted by Ahrens and Chapman (2007), managerial intent sets the broad framework of performance management systems, yet the use of the system is influenced by the individual practitioner who, in the process of making sense of her activities, intentionally contributes to the heterogeneous practices of managing performance. The next section discusses the interplay of accounting and other organisational practices, in particular that between accounting, accountability and cultural practices in the practices of managing performance.

### **2.3 The Interplay of Accounting, Accountability and Cultural Practices in the Practices of Managing Performance in a Privatised Organisation**

Consistent with the idea of privatisation that is concerned with the transformation of the public sector organisation into a competitive and financially oriented establishment, the study of the relationship between accounting and accountability has been one of the central themes in accounting literatures. In particular, in this new setting, accountabilities

are expected to be clearly specified; most of the time they are measured through the achievement of a certain set of targets (Hood, 1991; Ogden, 1995).

Managing dual accountability, for example, is one of the common characteristics of the organisation that has undergone transformation programmes such as privatisation or regulatory reform. A privatised organisation has to assume its own financial responsibility while being expected to continuously serve the interest of the general public. In such a case, accountability and accounting enmesh and redefine the understandings, rules and ends of the organisational activities. The efficiency and effectiveness of service delivery, for instance, is often measured in terms of the organisation's ability to meet its budgetary targets.

In their study of the emergence of financial discourse of accountability within the educational setting in the UK, which was experiencing regulatory reform, Ezzamel et al., (2007) observe:

“In this sense relations of accountability are embedded in the practical discourses of organizational members as they give accounts of their work and ‘outputs’. Rationalized forms of accountability introduced through regulation may preserve and reproduce organizational or societal myths concerning organizational efficiencies or productions but within everyday operational actions, organizational members are offering accounts that contain their own norms of justification. Accountability is therefore a major bond in organizational and social interaction.” (p. 157).

Their study is suggestive of accountability as the practice that arises from the intertwining of the organisational and social practices; sense is made of the notion of financial accountability within the context of the existing practice of accountability. The introduction of financial discourses provides new meaning to the ideas of efficiency and quality education, thus altering the members' intentions and priorities.

In the study of the practices of accountability in a privatised organisation, we are often enlightened by the activities introduced by the senior managers in their efforts to manage dual accountability. For instance, Ogden (1995) reports the attempt made by the senior management to introduce a corporate culture programme, while Dent (1991) describes the appointment of the business manager as the agent to diffuse accounting practices in his organisation. The present study hopes to add to these findings by emphasising how the members of various organisational hierarchies strategically use accounting information to deal with the demand of dual accountability as part of their everyday practices. This prompts the question: in what ways does the relationship between accounting and strategising contribute to the process of managing dual accountability?

An insight that has usually been noted in prior literature on the relationship between accounting and the practices of accountability is the support of the former on the hierarchical practice of the latter (Roberts, 1991, Roberts and Scapens, 1985). While this remains true, empirical studies also point to the importance of socialising accountability in helping the organisational members to make sense of the accounting measurement and to articulate the organisational priorities. The case presented by Roberts (1990) is illustrative of how the annual conference, as a method of encouraging socialising accountability, helped to articulate the priorities of the parent company and to enrol the participants' intention towards a common goal. The coexistence of hierarchical and socialising accountability is therefore the key concept in explaining the practices of accountability in an organisation (Roberts, 1991):

“However, even if the relationship between what have been described as socializing and individualizing forms of organizational accountability is often experienced as a conflict or split within the individual, the apparent collision between these ‘competing’ orders masks a variety of subtle interdependencies.”

(p.364)

The present study is motivated by the concept of interdependencies between hierarchical and socialising accountability and asks: how do hierarchical and socialising forms of accountability coexist in everyday practices of accountability?

As discussed above, financial accountability is the new dimension of accountability that a privatised organisation has to assume. This objective places them on a par with other commercial organisations in meeting the great challenge of aligning the individual and divisional goals with the goals of the organisation. In the same way as in other commercial organisations, which tend to turn to the performance management system as a solution, the senior management in the present study adopted KPIs. Studies conducted by Miller and O’Leary (1994), Roberts (1990) and Mouritsen (1999) illustrate how accounting measurements were employed in addressing the issue of goal alignment in a commercial setting: the process of goal alignment was constructed by mobilising accounting measurements with other forms of organisational control; for instance, the conference method is reported by Roberts (1990), while Miller and O’Leary (1994) observe spatial ordering of the manufacturing floor. Within the context of privatised organisations, Ogden (1995) describes a similar attempt in which the senior managers introduced a corporate culture programme to improve members’ awareness and to align the efforts of various departments in achieving the organisation’s new commercial objectives. Studies on goal alignment in both commercial and privatised organisations

tend to concentrate on tracing the making of accounting as part of the organisation control mix (e.g Abernethy and Chua, 1996): while the process of how accounting and non-accounting control systems relate in the practice of goal alignment, still remains a potential area of investigation. The present study aims to fill this gap by describing the relationship between accounting and non-accounting control in the process of goal alignment.

Empirical studies of privatised organisations have reported cases of cultural change (Abu Kasim Nor Aziah and Scapens, 2007; Dent, 1991; Ogden, 1995) which demonstrate one of the important effects of meeting the demand to be financially accountable to their operations. Dent (1991), for instance, illustrates the process of cultural change in a railway organisation, describing how the business managers persuaded the railway men to accept the idea of managing the railways on economic and financial terms, and thus change the railway's dominant culture, i.e. the cultural practices observed by the majority of its members (Martin and Siehl, 1983), from an engineering-based culture to a business culture.

Dent (1991) suggests that an individual may share the cultural practices in an organisation:

“Communities in organizations have particular codes of communication: behaviour, language, dress, presentation, design, architecture, ceremony... . The operation of work technologies in organizations is not a purely technical-rational affair. Rather, it is embedded in a cultural system of ideas (beliefs, knowledges) and sentiments (values), in which actions and artifacts are vested with symbolic qualities of meaning.”

(p.706)

In understanding the “symbolic qualities of meaning” (ibid.) of everyday practices of accounting and the sources of motivations and intentions behind the practices, Ahrens and Mollona (2007) suggest:

“The task of the study of control as cultural practice lies in exploring the relationships between those and further sources of organisational culture, organisational practices, and organisational control. Conceived as an effect of the symbolic organisation of practices, control is dependent on, but also influencing, the spectrum of ambitions of organisational members. The cultural analysis ought to shed light on the sources of those ambitions, the extent to which they are shared or in competition with one another, and, thus, how they contribute to making some practices unremarkable, taken-for-granted, and subject to objective ‘technical’ discussion.....” (p. 306)

The fragmentation of the symbolic organisation of practices, the difference in socio-economic background and socialisation of the members in the two departments that they studied, provide the sources of their analysis of organisational control as cultural practices. They also note that the discussion of the sources of the fragmentation of control practices extends beyond the boundary of the practices in the departments observed. Such a conception shows that culture conveys “rupture” and is about “variegations” and thickness (Comaroff, 2010).

The case presented by Abu Kasim Nor Aziah and Scapens (2007), rather than discussing the dominant culture in the organisation they examined, gives a view of the ‘government style culture’ of the operational manager, pointing to the existence of subcultures in the organisation. The coexistence of subculture with a dominant culture has been acknowledged by prior accounting literature, including Bhimani (2003), Marcus and Pfeffer (1983) and Scapens and Roberts (1993). Bhimani (2003), for instance, notes how engineers and business officers had different perceptions on the features offered by the new management accounting system (MAS), such difference relating closely to

subculture priorities: while the engineering department was receptive of the newly introduced MAS as it was compatible with their engineering priorities, this was not the case for the operations department, since the values promoted by MAS were inconsistent with their underlying beliefs.

Generally, subcultures are formed by a group of people in pursuit of similar interests and sharing similar problems (Van Maanen and Barley, 1985); in an organisation, a subculture is often identified through occupational or functional responsibility. For example, the subcultures in the study by Ahrens and Mollona (2007) “[...] arose from the workers’ tasks and shop floor practices, skills and occupational histories, the technologies they used, their broader outlooks on work and organisational membership, and, significantly, those aspects of their social backgrounds that clarified their reasons for seeking out, and acquiescing to, particular organisational subcultures” (p. 328).

A concern about subculture in the study of management accounting practices may indicate the various ways of organising and highlight the different meanings of the notion of accounting within an organisation. Motivated by this potential area of further investigation, and by the lack of efforts thus far in this respect (Ahrens and Mollona, 2007; Dent, 1991), the present study hopes to add to the literature in stability and change by illustrating that the stability and change of accounting practices is the result of an on-going relationship between agency and subcultural practices. The next section is devoted to this aim.

#### **2.4 The Stability and Change of Accounting Practices**

The implementation of performance management systems has promoted a great interest within the field of study of stability and change in accounting practices (Busco et al.,

2007; Granlund, 2001; Lukka, 2007; Siti Nabiha and Scapens, 2005). These studies discuss stability and change as the outcome of the role of agents and their agencies. Granlund's investigation (2001), for example, pays particular attention to the sources of stability in MAS. He shows how agency is significant in promoting stability even though the agency is caused by only a single individual in the organisation. In his study, the on-going actions of Kalle Jyry (the financial manager of a production unit) to downplay the importance of the new costing system in Foodco seem to be fruitful in putting an end to the project. Dent's finding (1991), on the other hand, is illustrative of the role of the agents and their agencies in promoting organisational change. He notes the role of the business managers who influenced the change process by reinterpreting the railway's activities through the language of accounting and economic judgments. Studies by Dent (1991), Ogden (1995), Abu Kasim Nor Aziah and Scapens (2007), Conrad and Sherer (2001) and many others, are some of the numerous examples of privatised organisations that have shown a similar interest in seeking understanding of stability and change.

Although the theme of accounting change is more prevalent than that of stability in the accounting literatures, many studies acknowledge the coexistence of stability and change in accounting practices (Ahrens and Mollona, 2007; Burns and Scapens, 2000; Busco et al., 2007; Dambrin et al., 2007; Lukka, 2007; Siti Nabiha and Scapens, 2005). As suggested by Busco et al. (2007):

“Management accounting practices are not necessarily a single, stable entity at a point of time, and change and stability seem to co-exist in forms, relations and within spatio-temporal frames which are still to be deciphered (cf. Granlund, 2001; Burns and Scapens, 2000). For example, as illustrated earlier, the BSC did not smoothly evolve over time (or space) but acquired different forms simultaneously in different parts of MEGOC.

Moreover, BSC's emergence as a working practice relied on human enactments and non-human praxis involving strategy maps drawing, cost calculations, physical measurement, and management controls". (p. 142)

This argument not only suggests the coexistence of stability and change in an organisation, but it also supports the assertion that accounting is not a homogenous practice. In their case, BSC was given meaning by members, based on the way in which they mobilised it. In the finance department, for instance, the accountants bought into the idea of BSC when they perceived it as a tool that could help them to realise their strategic intentions to introduce a "Full Cost Reporting Project". The BSC language was used to articulate the importance of the project, thus enabling the department to regain relevance and control in the organisation. The participation of the finance department in activities diffusing the idea of BSC supported them in forming their new identity as they were gradually be identified as "business partners" to other departments.

While the practitioners' intention is important in determining their motivations, thoughts, beliefs and emotions on the uses of accounting, the stability and change of accounting practices is dependent on agency and practices. Although these are two separate phenomena, they are not entirely external to each other because agency is constituted and prefigured by practices (Schatzki, 2002). According to Schatzki, agency is "doing" and he explains that there are two types of doing. The first type is "to do something or along with other entities, to help make something happen" while the second is "performing action, i.e. carrying out bodily doings and sayings" (p. 192). The latter is related mostly to human actions, but the first type is a feature of both humans and non-humans. The role of non-human agency in the social formation is also acknowledged by Latour (2005):

“In addition to ‘determining’ and serving as a ‘back-drop for human action’, things might authorize, allow, afford, encourage, permit, suggest, influence, block, render possible, forbid, and so on.” (p. 72)

However, he argues, “Action is not done under the full control of consciousness; action should rather be felt as a node, a knot, and a conglomerate of many surprising sets of agencies that have to be slowly disentangled” (p. 44).

The disparity in the conceptualisation of agency between Schatzki and Latour is based on their different ontological views. The former regards social life as a mesh of practices and orders, while Latour perceives social life as made up of a network of humans and non-humans. Although the conception of agency differs among the practice theorists, most of them acknowledge the importance of agency in bringing about the phenomena of change and stability.

It is also worth noting that in understanding the stability and change of accounting practices, agency and practices should not be analysed as a distinct process (Latour, 2005; Schatzki, 2002), but rather their relationship is dynamic. In the present study, the stability and change of accounting practices is argued as a result of the dynamic relationship between agency and subcultural practices. This stance, however, invites at least two questions. What is subcultural practice? Does the notion of subcultural practices differ from the notion of culture in the discipline of anthropology?

Even in the anthropology discipline, the definition of culture is subject to on-going debate. For example, Ortner’s review (1984) identifies a few strands of cultural study dating back to the 1960s. The present study adopts one of the dominant conceptualisations of culture from anthropology, i.e. to study culture as embodied in

symbol and from the participants' point of view (Geertz, 1987). Symbolic anthropologists view symbols as signifying meaning; a symbol stands for something else.

Taking the symbolic definition from anthropology, and ontologically informed by the practice theory perspective in explaining the phenomena of change and stability, this study presents the notion of subcultural practices as implying that culture and subculture are embedded in practices, suggesting that a practice symbolises or stands for a certain meaning. Since meaning is derived through participation in a practice (Schatzki, 2002), it is only through practices that we can understand why certain activities are important only to the members of these practices and not to others, even though they are the members of the same organisation.

However, Evans-Pritchard (1956) has cautioned us that symbols cannot be interpreted purely as something that stands for something else:

“I think that one reason why it was not readily perceived that statements that something is something else should not be taken as matter-of-fact statements is that it was not recognized that they are made in relation to a third term not mentioned in them but understood. They are statements, as far as the Nuer are concerned, not that A is B, but that A and B have something in common in relation to C. This is evident when we give some thought to the matter. A cucumber is equivalent to an ox in respect to God who accepts it in the place of an ox. A crocodile is equivalent to Spirit only when conceived of as a representation of God to a lineage. Consequently, though Nuer do not mistake ideal relations for real ones, an ideal equivalence is none the less true for them, because within their system of religious thought things are not just what they appear to be but as they are conceived of in relation to God.”

(p. 142)

This means that Geertz' concern on studying culture from the actors' point of view is relevant in helping us to understand why something stands for something else and in relation to the context in which that something is symbolised by something else. Understanding culture therefore requires close and detailed observation of a participant's

everyday activities.

Studying stability and change of accounting as subcultural practices therefore denotes the dynamic relationship between agency and practices. Agency, or doing, shapes the activities that are embedded in a practice by way of humans' intention, motivation or purposeful act; these largely reflect the features of the group to which they belong, and are indicative of the activities of a subculture. The demarcation of an organisation into different functions, however, does not make them the sole determinant of how the subculture is formed since subcultures also arise from the shared practices and the sources of members' motivation that typically extend beyond the boundary of the organisation (Ahrens and Mollona, 2007). In addition, practices as arrays of activities are the source of meaning in which participants may derive their identities. For example, Ahrens and Molona's study (2007), asserts that wearing protective clothes and helmets signifies that smelters possessed higher status than labourers. Practices are therefore symbolising "something else" depending on the context in which such practices are understood by the participants.

The array of activities that are embedded in a practice symbolises, for example, the priorities, motivations, the educational and socio-economic background, style and feelings of pride. Culture therefore resides in practice and is publicly available. The notion of cultural practices also resolves part of the epistemological question of where to locate culture. Instead of looking at subculture as an obstacle to accounting change (Bhimani, 2003; Marcus and Pfeffer, 1983, Scapens and Roberts, 1993), the conceptualisation of stability and change as subcultural practices points to the potential in

designing an enabling accounting system that could align the priorities of the participants in the subculture with those of the organisation (Martin and Siehl, 1983).

## **2.5 Conclusion**

In an attempt to delineate the practice of managing performance, this thesis focuses on the roles of accounting, accountability and cultural practices, all of which are the result of the specificity offered by the context of this study. This, however, does not restrict the generalisation of the findings of this thesis since the extant literatures reviewed in this chapter have also noted similar themes discussed in accounting literatures investigating both public and private sectors. Literature in management accounting in general has discussed the role of accounting in changing the practice of accountability, but little is known about the practice of managing dual accountability; the role of culture in influencing the uses of accounting is acknowledged yet it is always treated as incidental to the discussion about the practice of accounting, and discussions of the interplay between accounting and other forms of control system have so far shown more concern about their design than about their practices. This thesis is therefore motivated by those clues from the extant literatures, and the context of a privatised organisation offers the opportunity of exploring those areas within a single setting. Importantly, this thesis is an attempt to illustrate how the constitutive role of accounting influences the ways in which accounting is used within the context of this study.

## **Chapter 3**

### **Research Design**

#### **3.1 Introduction**

In the preceding chapter, I have provided a review of the extant literatures on performance management, which have shaped the objectives of this study. In this chapter I will present the research design in order to address those objectives. The chapter is organised into two parts: the first will discuss the underlying philosophical stance, methodology, method and the procedures of the fieldwork, while the second part discusses considerations of validity and reliability in conducting interpretive research.

#### **3.2 Philosophical Stance of My Research**

It is important to understand the philosophical foundation of the present research to avoid confusion between “methodology” and “method” (Ahrens and Chapman, 2006). Both represent a different level of analysis: “methodology” refers to the approach taken in order to obtain knowledge, while “method” refers to the techniques adopted in undertaking the studies (Morgan and Smircich, 1980). They are determined by the epistemological and ontological assumptions of the researcher, i.e. what represents knowledge (epistemology) and what constitutes reality (ontology).

This study has been conducted based on the ontological assumption that social reality is a mesh of practices and orders. Referred to as “site ontology” (Schatzki, 2002), the mesh of practices and orders is the site where social life transpires. A site, according to Schatzki,

is a context; a backdrop or a setting that facilitates the existence and being of entities within it. Schatzki (2002, 2005) defines “practices” as organised human activities (Schatzki, 2005; p. 471). According to this view, people’s actions are carried out as part of the mesh of practices and orders, and social phenomena such as institutions and power are to be understood via the structures of and relations among practices and orders (Schatzki, 1997, p. 284). He defines order as “an arrangement in which entities also possess meaning and identity” (Schatzki, 2002; p.19). The “entities” are categorised as “people”, “artifacts”, “living organisms” and “things” (Schatzki, 2002, p. 22).

A given practice is ordered by understandings of how to do things, rules and teleo-affective structures. Understanding how to do things reflects the knowledge about a particular practice; rules are unambiguous procedures that govern a particular practice, while teleo-affective structure is the collective intentions or ends of a particular practice. For example, to understand performance management practices is to appreciate how it is understood, what rules govern what should or should not be done, the range of ends pursued by that practice and how it is intertwined with other organisational meshes of practices-arrangements.

### **3.3 What is Knowledge?**

Epistemological assumptions determine what constitutes truth, what forms it takes and the way the truth could be assessed (Johnson and Duberley, 2000). In this study I believe that truth is derived through my understanding of how actors in the field make sense of

their actions, what motivates them to pursue those actions and why and how those actions are embedded in a particular practice (Chua, 1986).

Drawing on the interpretive methodology, I believe that actions are intrinsically endowed with the subjective meaning of the actors and their intentions (Chua, 1986, p.613; Schatzki, 2002) and knowledge is acquired through the researcher's on-going interpretation of the actors' action in the field which is consistent with the actors' reasoning for such actions (Chua, 1986). As suggested by Hopper and Powell (1985, p. 429) "there is no such thing as a totally objective or value free investigation." Hence, it is the role of the researcher to mediate between the quest for the meaning of the actors' activities in the field and her role as an observer in the field. This task is not always easy in an interpretive study as the role of the observer also is part of the research.

This study attempts to explore the ways in which accounting is constituted in organisational practices, in particular how it is implicated in the process of goal alignment, cultural practices and strategising activities, and in the production and reproduction of a system of accountability (Roberts and Scapens, 1985) within an organisation. Since the nature of the investigation is concerned with the everyday practices of the actors in the organisation, the research is designed to allow the researcher to observe and interact with participants in the field, in order to understand how the relations between human and non-human participants in the organisation co-exist as an organisational mesh of practices and orders (Schatzki, 2002).

This is consistent with my ontological belief that reality is a mesh of practices and orders, and that meaning is derived through an understanding of how people perceive themselves and their function in a particular practice; it also reflects my epistemological belief that knowledge is constructed as a result of the interaction of the researcher, the research itself and the field. Translating this belief into my research design means that I can focus my observation on events where organisational members are employed, or refer to accounting discourse and to how accounting is given meaning by people when they use it in relation to other practices in the organisation. Additionally, knowledge is shaped by my understanding of the accounting practices embedded in my research questions.

To transform the practices that I observed into an academic analysis requires rapport with the participants' worlds (Chua, 1986). In doing so, I hope to be able to give a rich account of how accounting is implicated in everyday practices of the organisation by "making understandable the actions and motivations of very skilful people who routinely mobilize accounting in their daily work lives" (Ahrens and Dent, 1998, p. 4). The importance of rich account in interpretive study is suggested for many reasons. For example, through detailed narratives of everyday activities we may identify the way in which the existing practices could be improved (Weick, 2007) or we may reveal the tensions and conflicts between functional activities in an organisation and the reasons that give rise to such incidents (Ahrens and Dent, 1998).

### **3.4 The Meaning of Accounting Practices**

Insight of the practices of accounting is closely linked to the understanding of the meaning of accounting in the context in which it functions (Hopwood, 1983). According

to Schatzki, meaning is what something is (Schatzki, 2002, p. 19). He also asserts that an entity derives its meaning through participation in a practice, as illustrated in his explanation of the Shaker's industry:

“Hollister was an extractor in so far as he fit, and fit in particular ways, into the arrangements of herbal medicine industry. So enmeshed, other Shakers-involved or uninvolved in the industry, at the extract house or elsewhere-understood him thus and acted toward him in particular ways. Similarly, an apparatus was a cooper evaporating pan, the rats were causes of water backups, and the herbs were mandrake as well as sought-after plants insofar as they figured in the industry's arrangements in particular ways” (Schatzki, 2002, p.52).

What accounting is to the organisational members therefore depends on how it occupies a position among other organisational practices and material arrangements, i.e. whether accounting infuses strategic actions, disrupts other organisational practices, makes certain objects redundant or diverts organisational attention to a new market segment and so on, because of the practices in which people engage and the orders among which they do this.

The question is: how would a researcher gauge the meaning of accounting in the course of a field study? Given that accounting is one form of organisational control systems, one has to be guided by a framework in order to identify accounting practices in the net of the practices-arrangements bundles. In this study, I have been guided by the theoretical framework provided by Schatzki (2002), who argues that social reality is constituted in practices-arrangement bundles. A practice is a set of actions that is carried out by the practitioners who shape the understandings, rules and teleo-affective structure of the practices. In this sense, knowledge about the meaning of accounting resides in its practices and can be interpreted from the actions of the participants in the field. The role of the researcher, therefore, is to describe what happens in the field and how participants

embrace their activities, to enable the reader of the research output to appreciate the ways in which actors in the field conduct their accounting practices (Ahrens and Chapman, 2006).

The knowledge gained from interpretive research cannot be subjected to the same evaluative criteria as in the positivist study (Ahrens and Chapman, 2006). It does not, however, rule out the demand for qualitative research to convey originality, plausibility and trustworthiness. Readers of qualitative research output become aware of the quality of knowledge when they can judge that the researcher “has done well when she has developed a convincing account of the ways in which meanings and purposes relate to patterns of activity” (Ahrens and Chapman, 2006, p. 834). Bearing the importance of this assertion in mind, the present study has been conducted with care and rigor, achieved through the methodology and methods selected in this study.

### **3.5 Methodology**

#### **3.5.1 Interpretive Methodology**

Given the knowledge that I seek to understand lies primarily in observing the experience and activities of participants, this research requires close contact with their world. In this situation, the most effective approach towards this end is interpretive methodology (Bloor, 1978), which is best used when the concern is to understand the human behaviour

in a natural setting, and which aims at the collection of more qualitative data (Tomkins and Groves, 1983).

It is common in qualitative study, in particular ethnography, to find that the researcher enters the field with specific research questions, but at the end of their investigation returns with a different set of questions (Rosaldo, 1993). This may be due to the emergent, rather than tightly configured, characteristics of qualitative study (Creswell, 2003, p. 180), i.e. several aspects may emerge at some stage in the research which will further provide direction for the study. This entitles the researcher to modify the research questions to better reflect the phenomenon studied.

There are, of course, several weaknesses inherent in the use of interpretive methodology. It is often time-consuming, especially in the conduct of fieldwork and analysis of data; or at times it could be relatively unpredictable due to the difficulties in controlling the progress and end of the study.

Drawing on interpretive methodology, I adopted an ethnographic approach for this research.

### **3.5.2 Ethnography**

Ethnography can be defined as a written interpretation of culture (Van Maanen, 1988) or a study of people's way of life (Czarniawska, 1991, Goldbart and Hustler, 2005). Traditionally used in anthropology, ethnography is often associated with a long stay in a foreign land with participant-observation widely accepted as a fundamental concept in carrying out such studies (Sanday, 1979).

However, ethnography is no longer a privilege of the anthropology discipline since it has become a research approach employed in many disciplines, especially when the researcher is interested in studying organisational culture (Comaroff, 2010; Patton, 2002). Unlike the study of the anthropologist who faces difficulties in understanding the language and peculiar practices of the foreign native, research into organisational culture has the advantage of familiarity with the subject's language and activities (Ahrens and Chapman, 2006). Nevertheless, it does not mean that conducting ethnography in an organisation is less challenging than the ethnography conducted by an anthropologist. One of the common challenges that apply equally to both anthropologist and organisational ethnographer is to avoid reporting fictions as fact or vice-versa (Van Maanen, 1979).

To manage this challenge, Van Maanen (1979) suggests a distinction can be made between an informant's first order accounts of what is occurring in the field, i.e. the "facts", and the ethnographer's second order interpretation, or "theories", used in making sense of these facts. The first order accounts are usually generated from the observation

of activities, mainly through the language used by the participants to label their activities. The second order is derived as a result of the ethnographer's understanding of the contexts in which such labels are drawn, and these understandings are dependent upon the ethnographer's continuing socialisation with her subjects in the field. This is not an easy task as the ethnographer also has to be able to differentiate between "operational" and "presentational" data from the first order interpretation of the informants. The distinction is important as the plausibility of the ethnographic interpretation lies in the analysis of the "operational data", i.e. "the everyday problematics of informants going about their affairs" (ibid, p.542), rather than being based on "presentational data" , i.e. data manufactured by the participants in order to maintain or enhance certain aspects of their activities in the presence of the ethnographer, such as through conscious deception, when the informants themselves have incorrect knowledge about their own activities or when the informants are unaware of certain fundamental aspects of their activities (Van Maanen, 1979).

The aim of both anthropology discipline and organisational studies, therefore, is to portray culture that requires the ethnographer to hear, to see and not to lose sight of the type of the data to be gathered in the field, so that facts can be distinguished from fictions (Van Maanen, 1979). Most importantly, the role of an ethnographer is to write what is presumably witnessed and understood during their stay in the field. As argued by Clifford (1986), writing is what ethnographers do in the field as well as on their return to the office. Similarly, Evans-Pritchard (1976) posits:

“The importance of a thorough grounding in general theory begins to reveal itself when the field worker returns home to write a book about the people he has studied” (p. 243).

Taking these considerations into account, the data in this study was largely collected through my observation of the interactions, assumptions, rituals and beliefs of the organisational members in their day-to-day activities. My understanding and experiences of those events were then translated into text that represents my interpretation of the organisational members’ construction of their activities (Geertz, 1973). Although theory is very useful in framing what to observe in the field (Evans-Pritchard, 1976), it can be argued that its greater significance relates to the process of constructing interpretation, i.e. when I started to write about the fieldwork, the theory helped me to “structure masses of data and communicate its significance at the same time as it helps construct that significance” (Ahrens and Chapman, 2006, p. 836). By doing so, I hope that my interpretation accounts for the data in a plausible way and with ethnographic authority.

In discussing ethnographic authority, Clifford (1983) distinguishes experience from interpretation. Experience suggests close contact and participation of the researcher with the phenomenon studied. The ethnographic authority is based on the feeling, perception and personal knowledge accumulated by an ethnographer during his stay in the field, to signify to the reader “I was there” (p.128). Interpretation, on the other hand, views culture as assemblages of texts. The research experience, the interaction with participants in the field and the rituals, traditions or activities observed will be recorded in the field notes. Those events will be translated into meaningful texts that reflect the interpretation of the researcher rather than the construction of an event from a particular respondent or participant.

However, the overlapping relationship between interpretation and experience can raise problems, so some researchers combine both styles in presenting their ethnographic data. Referred to as “impressionist tales”, there is greater focus on the conduct of the fieldwork, rather than the ethnographer or on the people studied. The researcher who adopts impressionist tales uses both direct quotations from the participants to depict the ethnographer’s experience in the field as well as the narratives that reflect the ethnographer’s interpretation of the activities observed.

Ethnographic interpretation and experience are therefore not merely “the recounting that would be provided by the actors themselves in a social setting” (Rosen, 1991, p.12) or the description of the ethnographer’s actions in conducting the fieldwork. Rather, the interpretation of what happens in the setting is the result of the interplay between the ethnographer’s experiences, the activities of her subjects and the theoretical perspective, all of which underpin her interpretation.

The next section will briefly discuss the conduct of the fieldwork, including the role of the theoretical framework and the fieldwork activities ranging from gaining access to the organisation to analysis of the data.

### **3.6 The Fieldwork**

One common issue which arises in the conduct of field study is the theoretical bias that the researcher brings to the field, which, to a certain extent, influences their decision to

impose prior theoretical construct to field materials (Dyer and Wilkins, 1991). This does not mean, however, that sound knowledge is totally free from any theoretical bias (Eisenhardt, 1989). As argued by Evans-Pritchard (1976):

“And of course the Anthropologist’s observations are biased by his theoretical dispositions which merely means that he is aware of various hypothesis derived from existing knowledge and deductions from it and, if his field data permit, he tests these hypothesis. How could it be otherwise? One can’t study anything without a theory about its nature.” (pp. 241-242)

In this study, I have used the theoretical framework as a guide for the conduct of the fieldwork, but not to restrict the selection of the data. I have adopted “positioned (and repositioned) subjects” (Rosaldo, 1993). I entered the field with the intention to study the implementation of Key Performance Indicators, but as the research progressed I noted the influence of subcultural practices in daily activities. At the same time the organisation actively introduced a corporate culture programme that aimed to change the way they behaved in the organisation. It promoted a spirit of co-operation and openness, and a passion for excellence and caring. The KPIs, the corporate culture programme and the organisational activities encouraged me to pursue an investigation beyond what I expected when I first embarked on the study of the organisation, thus confirming Rosaldo’s argument (1993); a researcher cannot predict beforehand what she will encounter in the field; the best a researcher can do is to adopt some hunches (Van Maanen, 1979), enter the field with an open mind and allow the questions to emerge (Silverman, 2001).

As suggested by Van Maanen (1988) fieldwork encourages the researcher to immerse in the setting, becoming aware of the participants’ issues, their social and economic

background, language and rituals, and the social relations of a particular group of people. The belief is that through such activities, a rich, concrete, complex and hence truthful account of the social context being studied is possible. Fieldwork is then a means to an end. In this section I will discuss the conduct of my fieldwork, explain how I gained access to the organisation, and describe the methods of inquiry adopted in this study.

### **3.6.1 Gaining Access**

My search for an organisation to be the subject of my study began in June, 2008, by reviewing the companies listed in the country's stock exchange. E-mails explaining the scope of the study and requesting access were sent out to a number of potential organisations and in August, 2008, I managed to secure access to MNPharma. Prior to the fieldwork, the annual report of the organisation for the current year was reviewed; a telephone interview was also conducted with a senior executive in the Organisational Development Department in order to agree on the method of the study. Further, I requested preliminary information about the organisation's structure and activities. The first phase of fieldwork began on 2<sup>nd</sup> September, 2008, and continued until 30<sup>th</sup> November, 2008. During this period, I visited the organisation every day during their working hours.

Following analysis of the data collected during the first phase of the fieldwork, I noted the dependency of the organisation on the revenue from its concession business with the government, and decided to expand the inquiry by interviewing the officers from the

Ministry of Health who were responsible for monitoring the concession agreement. Contact details of the key person from the Ministry of Health were obtained from the organisation, and I made an appointment to interview the officers involved. Additionally, I re-interviewed selected organisational members to elicit their views on the outcome of the initiatives noted in the first phase of the fieldwork, and the consultant who had introduced performance improvement initiatives during this phase. A week of observation at the manufacturing division was conducted during the second phase of the fieldwork, which took place during 2<sup>nd</sup> September - 28<sup>th</sup> October, 2009. I was granted access as a management trainee; sometimes I was regarded as an intern in the organisation. My everyday presence in the organisation gave me the advantage of discussing any emerging issues with organisational members during that period.

### **3.6.2 Data Collection Methods**

Three main methods of collecting data were employed in this study, i.e. observation, interview and document review. The next paragraph discusses the conduct of each of these methods. The organisational structure at the time of the study, the number of interviews and observations and a review of documents conducted in the course of this study are presented in the Appendix 1. While their job positions have been revealed in the empirical data, the identity of individual respondents has been concealed to protect their anonymity (with the exception of the MD, since this is the only position in the organisation, so his identity cannot be concealed). In order to avoid disclosure of the identities of the significant group of respondents, the range of job titles from senior manager to senior general manager is categorised as 'senior manager'. The range of job titles from manager to deputy senior manager is categorised as 'manager'. Other job titles

of the respondents remain unchanged. All government officials interviewed are categorised as 'senior government officer'.

## **1. Observation**

The commonly used method of ethnographical study is observation, which aims at describing the setting, the activities that took place in the setting and the meaning of activities observed from the perspectives of those observed (Patton, 2002). This study has been conducted using the observer participant method, whereby the researcher was an outside observer to the activities of the subjects of the study (Rosen, 1991).

No specific observation schedule was prepared for this research. Three main activities were observed, i.e. observations of meetings, of daily activities in the manufacturing, logistic and sales and marketing divisions, and of social interaction among organisational members in informal gatherings and meetings. I made field notes recording the activities observed during meetings and daily activities; this was similar to the taking of minutes of meetings, but more attention was given to associated tone and body language, to the use of accounting discourse in the interactions, and to feelings and opinions expressed towards meeting agendas or about tasks performed in the shop floor. In particular, I paid more attention to the concern of organisational members about how their activities relate to, affect or are influenced by activities in other departments. Most of the time, I was a passive observer in the meetings, except for a few instances when I was invited to ask questions or to give my opinion on matters discussed.

The fact that I was treated as a management trainee, and sometimes as a student intern in the organisation, meant that I was allowed to speak to anyone about my interest. Most of the time, therefore, data was collected by “just being around” (Dent, 1991). These observations were carried out during attendance at workshops, monthly staff assemblies, corporate social responsibility events and social gatherings. During informal observation, short notes were written as a reminder of the key features of the events, and detailed notes were written immediately afterwards. A total of five hundred pages of 25” x 23” paper of field notes were taken in the course of this study in the form of a chronological journal and marked by the date of the visit, the location and the name of the person shadowed. Notes were also made of ideas, initial impressions, tentative interpretation, related literatures explaining the phenomena and possible themes. Questions such as “What can I learn from this event?” or impressions such as “This practice is quite similar with the practice in XYZ company described in the study of ABC company in the US”, were recorded in the field notes to promote thinking and to position the data in the relevant accounting literatures.

It was impossible to record every observation in the field notes; the selection of detail depends rather on the kind of research questions and the researcher’s theoretical interest (Silverman, 2001; Bloor, 1978). At times, it may have appeared disruptive and distracting to the organisational members to take extensive field notes (Silverman, 2001). Evans-Pritchard (1976, p. 246) agrees:

“I made it a rule never to take a notebook with me in public, not that people would have had any idea of what I was doing but because I felt that somehow a notebook came in between them and me and broke our contact.”

Indeed, there was one meeting that I observed where I was eagerly capturing a verbal exchange between the participants of the meeting, when a senior manager jokingly commented that a PhD student appears to be interested in so many things ; she wondered what I had noted.

## **2. Interview**

Qualitative interviewing seeks to derive interpretation, rather than facts or laws, from respondent talk (Warren, 2001). In the present study, interviews were mainly used to elicit the opinion of the organisational members on the use of KPIs and on issues noted during the observation and review of documents. In the second phase of the fieldwork, interviewing was also the main method employed to gather data both from the organisation and the Ministry of Health.

Before each interview, I prepared a brief guide (see Appendix 2) as a prompt on important issues that needed clarification from the interviewees. This was usually done after reviewing prior interview transcripts and field notes. However, the guide was not strictly followed; nevertheless, it served as a useful tool for probing the opinion of interviewees on certain issues that were of interest to me. Semi-structured interviews were conducted in order to elicit the experiences of organisational members on particular

topics or issues (Lofland and Lofland, 1995); these offered the flexibility to pursue the interview in whatever direction appeared to be appropriate, depending on what emerged from the setting, yet still be guided by the overall purpose of inquiry (Patton, 2002).

Altogether, there were 60 formal interviews (36 were tape recorded). Some of the interviews were not recorded at the request of the interviewees; in other cases, I judged it inappropriate to use a recorder since those interviewees would not have felt at ease. Almost all of the unrecorded interviews were with lower rank executives and those performing a clerical function.

During the unrecorded interviews, notes were taken and transcribed either immediately or at the end of the day, using the actual spoken words of interviewees as much as possible.

### **3. Review of Documents**

Documents are usually considered as a source of data in terms of their content (Prior, 2004). Nevertheless, a document review should not be restricted to the inspection of documents themselves; rather, it should include the examination of rhetoric use, i.e. the claims that a text appears to inscribe and its relation to other texts (Atkinson and Coffey, 2004).

The present study reviewed the minutes of meetings of the Board of Directors, of group management meetings, of liaison meetings between the government and the logistic

division, and of production meetings. The study also includes a review of other internal documents in the accounting department. Minutes of Board of Directors' meetings from 2000-2008 were reviewed in order to understand the emergence of significant events, policy and strategies of the organisation. This was done at the beginning of the fieldwork and it informed the framing of questions to be asked in the subsequent interviews.

Review of departmental minutes helped me to understand the local issues as well as becoming aware of how the central policies were diffused in the organisation. In particular, I was interested in identifying important items in the agenda of each department, and how this agenda related to the overall organisational goals. I also sought to establish how accounting discourses were diffused in the meeting, what was expected from organisational members, and which persons were responsible for carrying out the agenda. As previously stated, a document always refers to other documents, so in the course of the reviews I was able to follow similar issues raised in a variety of documents, but with different emphasis.

### **3.7 Data Analysis**

The process of data analysis is not straightforward since it includes not only the practice of recording ideas and tentative interpretation, but also a comparison of data with a review of literatures in the field notes. To a certain extent, data analysis shapes the research design and collection of data, as well as the selection of what to capture in the field notes (Eisenhardt, 1989; Silverman, 2001). Essentially, in arriving at interpretations,

the ethnographer not only depends on field notes or interview transcripts, but also on his field experience, unwritten but embedded in his memory (Geertz, 1973; Okely, 1994; Rosaldo, 1993).

The main assumptions of the ethnographer are the meanings ascribed by participants in the field to what they do and their reasons for doing this, their interpretation of their situation and their perception of their own identities (Silverman, 2001). These have implications for data analysis in terms of identifying means and methods through which the participants in the field perform their activities (Silverman, 2001; Schatzki, 2002). The analysis should at least comprise of a description of how the participants perform their activities, the strategies that they employ to achieve their purpose, how they relate to each other, and how they make use of objects and artefacts in their activities.

The data was analysed using qualitative procedures; the open coding technique as suggested by Strauss and Corbin (1998) was adopted at the initial stage of data analysis to identify issues, actions, interactions and key concepts through careful reading of interview transcripts, documents, notes and reflections of the context in which they occurred.

Interview transcripts were arranged according to the division and department visited, and the analysis was carried out manually using Microsoft Word: codes were recorded in the margin of the transcripts using the Insert Comments function and themes were

distinguished by different coloured highlighting. In the field notes, the codes were marked in the notebook margins.

Subsequently, these analytical codes were arranged into the categories suggested by the data. This was done by transferring similar codes from both interview transcripts and field notes into new documents and placing them according to their appropriate headings. Following Silverman (2001), in developing categories to represent the data, attention was given to the actions, the meaning underlying those actions and wider phenomena to which these actions respond and which they shape. Categories are defined as concepts, derived from data that stands for a phenomenon, or as abstract explanatory terms (Strauss and Corbin, 1998, p.114). Ahrens and Dent (1998) refer to this process as pattern making, i.e. the activity of grouping the data into different categories and tracing the interconnections between them.

The interview transcripts, documents and field notes were therefore scrutinized in order to identify statements or discourse that reflected the perceptions and views concerning the use of accounting control systems in the everyday activities of different departments in the organisation. Emerging patterns or themes were also derived through comparative analysis, which is the act of finding similarities and differences in the data by comparing conceptually similar events, incidents or issues with those previously coded. To arrive at an understanding of the circumstances of the organisation, much reflective thought and comparative analysis was undertaken, situating the data within contexts that were meaningful for the respondents, and triangulating it with other evidence such as that

obtained from document review and observation. The use of the notion of triangulation did not aim to achieve validity, as suggested by Yin (2003), but to provide multiple sources of evidence in making sense of the phenomenon studied.

The insight that I gained from continuous reading of related literatures allowed me to view the data from various angles. As new ideas emerged from on-going reflection and new interpretation, data was revisited and some initial codings were then changed. Thought emerged surprisingly sometimes; at the bus stop, while watching movies, cooking, in the morning; not necessarily when I am in the office with a computer and piles of books.

The relationship between data and ideas is crucial in carrying out analysis in the qualitative study; it should be an iterative process in which the back and forth movement between ideas and data is expected. Indeed, Weick (1995) suggests that this is a basic part of theorising activity: the process of theorising consists of activities such as abstracting, generalising, relating, selecting, explaining, synthesising and idealising. These on-going activities intermittently deliver reference lists, data, lists of variables, diagrams and lists of hypotheses, emergent products which summarise progress, give direction and serve as place markers; they have vestiges of theory but are not themselves theories (p. 389).

“All interpretations are provisional; they are made by positioned subjects who are prepared to know certain things and not others. Even when knowledgeable, sensitive, fluent in the language, and able to move easily in an alien cultural world, good ethnographers still have their limits, and their analyses always are incomplete” (Rosaldo, 1993, p. 8).

This assertion is very true for my study, which attempts to demonstrate that my understanding of accounting practices in the organisation is shaped by personal

knowledge of accounting, my life experience and my awareness (through reading) of workplace behaviour, which I believe to be as equally important as systematic preparation of fieldwork.

### **3.8 Considerations of Reliability and Validity**

The issues of reliability and validity in qualitative study should not be addressed in the same way as in positivistic studies, since the distinction between the two is not always clear (Ahrens and Chapman, 2006). Nevertheless, reliability and validity in qualitative research is crucial because the credibility and objectivity of the research rest in these issues (Silverman, 2001). They are addressed in the present study in the conduct of fieldwork, following the tactics suggested by McKinnon (1988).

#### **1. Note Taking**

Note taking serves not only as the evidence of the fieldwork, but should also provide precise documentation in order to establish an audit trail (Atkinson and Shaffir, 1998). During the course of this study, careful documentation of field notes and interview transcripts was kept. Chronological field notes were separated into methodological notes, observational notes and theoretical notes, and a detailed description of the phenomena observed was written immediately after the event.

## 2. Choice of Type of Observation

One issue that is frequently discussed concerning observation is the researcher's presence as a source of bias. Although this issue is difficult to address, my position as a student intern helped to minimise the problem as it gave me license to learn from the organisational members. As a student, I did not pose a threat to them; furthermore, it deterred them from altering their behaviour in my presence. Additionally, my engagement with the field took place during two phases, and thus I maintained continuous contact over a longer period of time; issues which emerged during the first phase could be checked for consistency in the second phase.

## 3. Informant and Respondent Interviewing

McKinnon describes an informant as someone who can provide general background information about the organisation, while respondents are those who can provide more specific information about their work. The selection of informant and respondents should be varied to include new members and long serving members in order to obtain a more comprehensive picture of the phenomenon under investigation. In this study, a range of categories of organisational members was included in the interviews, including newcomers, those who had served from the inception of the business, senior managers, middle managers, executives and clerical personnel.

#### 4. Probing

Probing is used to elicit more information from the interviewees and is a useful method in assisting the researcher to avoid the tendency to speculate rather than make interpretations from data: in requesting more explanation and clarification by asking why and how questions, the researcher would be able to obtain further data from the interviewees. An interview guide was therefore used in the present investigation as a means of probing the interviewees to clarify and explain their opinions, as well as attending to the interviewees' responses.

With regards to data analysis, care was taken to look for rival explanation by examining conflicting literature (Eisenhardt, 1989). This process also helped to enhance the external validity of the study (Eisenhardt, 1989; Langley, 1999). The analysis was conducted in an iterative manner, moving back and forth between the data and theory until 'fit' between data, theory and methodology was achieved (Ahrens and Chapman, 2006). If the proof of pudding is in eating, the trueness of the research is in its readership, since ultimately readers have only the text provided by thesis or papers, and attentive to how far the methodology, methods and analysis give them confidence in the care with which the report has been prepared (Lofland and Lofland, 1995).

## **Chapter 4**

### **Managing Dual Accountability: Accounting and Strategising in a Privatised Pharmaceutical Organisation**

#### **4.1 Introduction**

Extant studies in the transformation of public sector organisations through privatisation programmes have illustrated issues related to accountability, performance measurement and “how best to manage the organisations” (Lapsey, 1993, p.70). For example, the change in the framework of accountability as a result of the privatisation programme has pushed many of these organisations to orchestrate their activities into meeting the financial discourses of accountability (Dent, 1991; Ezzamel et al., 2007; Ogden, 1995) yet they were expected to remain sympathetic to the well-being of the public. As a result, many of these studies have reported the tension and struggle of organisational members in redefining their roles in the new regime of accountability and performance measurement systems.

The idea of privatisation was prompted among others by the concern over the efficiency of the public service delivery and also to enable privatised organisations to manage their affairs with a free hand (Dent, 1991; Hood, 1991; Abu Kasim Nor-Aziah and Scapens, 2007; Ogden, 1995). Nevertheless, evidence from empirical studies within privatised organisations noted that the concept of free hand is not fully embraced (Abu Kasim Nor-Aziah and Scapens, 2007). Arguing that it was protecting the interests of its citizens, the government still interfered in the affairs of the organisation, such as in setting the price, appointing the board of directors, and selecting suppliers. Further, privatisation does not

preclude the organisation from its existing public and social responsibility. Thus, dual accountability, i.e. financial accountability on the one hand and public accountability on the other, has been the feature of many privatised organisations (Collier, 2005; Abu Kasim Nor Aziah and Scapens, 2007).

Studies on the privatisation of public sector organisations have demonstrated the understanding of accounting as the key factor in encouraging organisational members to perceive the logic brought by the privatisation programme. For example, as discussed by Ogden (1995), efforts were made to reflect the new organisational intents as a private sector entity: consultations were arranged with employees to discuss activities likely to achieve targets (p. 214), a profit-sharing scheme and performance related pay were also introduced, and organisational members were re-trained in developing an understanding of the consequences of their activities on cost and profitability. To date, many of the studies on the relation of accounting and accountability in this kind of setting have mainly centred around how accounting, either through its discourses or through its transformative and calculative features, helps to create a new accountability framework within the organisation, such as the reporting of performance ratios described by Ogden (1995) and a new budgeting system explained by Abu Kasim Nor-Aziah and Scapens (2007).

A common preoccupation with accounting measures is their detrimental effects on the broad strategy and ethical values of the organisation. This has been noted in the extant literatures concerned with the relationship between accounting and the hierarchical

practice of accountability and their consequences on organisational practices (O'Dwyer and Unerman, 2008; Collier, 2005). Nevertheless, as with other control systems, accounting is merely a tool - how it shapes a practice is dependent on how it is mobilised (Kirk and Mouritsen, 1996; Roberts, 1991; Roberts and Scapens, 1985). Therefore, Roberts, in his later paper (1996), calls for an understanding of the interdependence between the hierarchical and socialising forms of accountability in which the possibility of reducing the effects of both types is a function of the skilful use of accounting measures and other organisational knowledge. The mobilisation of accounting with other organisational knowledge not only places trust in accounting systems (Busco et al., 2006; Johansson and Baldvinsdottir, 2003) but also enables the process of explanation, discussion, justification, challenge and interpretation of the results of accounting performance (Ahrens, 1996a; Ahrens, 1996b; Collier, 2005; Kirk and Mouritsen, 1996, Roberts, 1990). Such activities are important in lending space for the articulation of accounting discourses as well as in enhancing "*managers' social qualifications*" (Kirk and Mouritsen, 1996; p.257 emphasis in original) in being able to talk accounting in relation to their functional expertise and organisational strategy (Ahrens, 1997).

Thus, the prevalent notion that accounting is associated with calculative measures (Roberts and Scapens, 1985; Roberts, 1991; Roberts, 1990; Ogden, 1995, Abu Kasim Nor-Aziah and Scapens, 2007; Bracci, 2009), and that it supports the exercise of hierarchical accountability, is no longer conclusive. Accounting also serves to create discourses that aim to educate the organisational members on matters beyond performance evaluations, such as the importance of efficiency and effectiveness that

reflects broader understanding of organisational activities and strategy, and an organisational culture that emphasises continuous improvement, teamwork and open communication, which is inclined towards the socialising form of accountability. For example, KPIs are a quantitative measure, yet embedded in their discourse is the promotion of goal congruence; similarly, budget is a performance measurement technique but it also serves to encourage intra-organisational co-operation. The mesh of accounting with other organisational knowledge forms an understanding that helps to shape the processes of accountability.

The present study shows that the interplay between hierarchical and socialising forms of accountability occurs through strategising. The understanding of accounting that is embedded in the strategic actions of the organisational members is not a straightforward translation of strategic initiatives into quantitative measures (Jorgensen and Messner, 2010); rather, the relationship between accounting and strategising is partly the result of what the actors perceive as making sense, given their understanding of the objectives or intentions of a practice, i.e. “practical intelligibility” (Schatzki, 2002).

While the present study has much in common with those of other scholars who have studied the relation between accounting, strategy and accountability (e.g. Ahrens and Chapman, 2002, 2007; Jorgensen and Messner, 2010; Roberts, 1990), it differs from them in the sense that the contexts of their studies are purely those of commercial organisations, and the absence of interference from regulators and government enables these to manage their operations according to the agreement among their members, while

the present study is conducted in a privatised organisation that operates in a highly regulated industry. To a certain extent, the studies of Conrad and Sherer (2001), Dent (1991) and Ogden (1995) are illustrative of the tensions of managing dual accountability in regulated industry, and the link between strategy, accounting and accountability is demonstrated by way of the efforts to promote a new culture based on accounting. Thus, these studies direct our understanding on the making of strategy at senior management level and the practice of accountability in response to organisational change. The present study, on the other hand, seeks to illustrate the relationship between accounting, strategising and the practice of accountability as part of on-going everyday practices which thus far has been neglected (Ahrens and Chapman, 2002).

The idea of privatisation supposedly frees the organisation from interference by the government (Ogden, 1995) and thus reduces bureaucracy. The present study, however, observes that this is unlikely to occur if the major source of the organisation's revenue is dependent on a contractual agreement with the government. The organisation investigated in this study, MNPharma was established in the early 1990s through the privatisation of a government agency that is responsible for the distribution of pharmaceutical items to the government's hospitals and clinics in the country. It also holds the status of Government Related Company (GRC) as the government has a controlling stake in its parent company. In the late 2000s, the general public started to question the role of GRCs in improving the economic condition of the nation. This issue has been debated in parliament as well as receiving considerable commentary from business analysts. In response to the wide concern about GRCs performance, the government announced the

Government Related Companies Transformation Plan in 2005, which focused on improving the performance of GRCs. One of the aims of this plan was to create regional champions in all sectors of GRCs by 2015. Consistent with this government initiative, XYZ, the parent company of MNPharma, has launched the implementation of Key Performance Indicators throughout the group, including MNPharma.

As a shareholder, the government does not become involved in the management of the organisation and the organisation's shares are floated on the country's stock exchange. Under the privatisation agreement, the organisation received a 15-year concession to distribute pharmaceutical items to government hospitals and clinics and this was subsequently renewed for another ten years in 2009. In this case, the role of the government was not limited either to the monitoring of the organisation's performance under the concession contract or to a regulation of its activities. More importantly, it was a case of shared accountability between the government and the organisation as the latter was the key actor that contributed to the perceived success or failure of government policies and agenda on improving the provision of public health care. Although the concession contract was by no means comprehensive, it covered a number of critical aspects that formed the basis of government rationales underlying the privatisation programme, particularly in realising the government agenda to boost the image of the pharmaceutical industry of the country.

At the time of this study, the organisation had enjoyed the concession for almost fifteen years. The focus of this investigation is not therefore on the organisational response

towards privatisation (as had been the case as reported by Dent, 1991, and by Ogden, 1995) but on the analysis of organisational practices which in this case is centred around the on-going everyday practices of accounting and its relationship with strategising, and the influence of such practices in managing dual accountability. The concession agreement specified a broad understanding, the rules and the intention of the concession practices, and the pressure to meet the terms and conditions under the agreement positioned its relationship with the government into hierarchical accountability.

The merger of the organisation with a manufacturing entity at the end of the 1990s broadened its accountability to the general public and placed it under the stringent control of the pharmaceutical regulatory authorities. As a manufacturer of pharmaceutical items, the organisation is accountable to the general public as to the efficacy and safety of its products. Failure to abide by the rules of the regulatory bodies may affect its continuous existence.

By considering the relationship between accounting and strategy and their impact on the practice of accountability, the present study aims to illustrate the role of accounting as one of the sources of general and practical understandings in managing dual accountability in the organisation. Understanding is embedded in the strategic actions of the organisational members in the practice of both hierarchical and socialising forms of accountability. In particular, the study pays attention to the role of practical intelligibility (Schatzki, 2002) in the process of strategising. Managing dual accountability requires the organisation to balance the demand of competing accountability on which its

performance was based. This suggests the role of practical intelligibility in guiding the organisational members to choose the most intelligible actions in embracing both types of accountability.

This study hopes to answer the following questions:

1. In what ways does the relationship between accounting and strategising contribute to the process of managing dual accountability?
2. How do hierarchical and socialising forms of accountability coexist in everyday practices of accountability?

The remainder of this paper is organised as follows. The next section will review relevant literatures in accounting, strategising and accountability, followed by a brief description about the concession contract and its conditions. The empirical data is divided into two sections: the first of these explores the practice of accountability in the organisation, while the second investigates the role of accounting and strategising in managing dual accountability. Discussion and conclusions are provided at the end of this paper.

## **4.2 Theoretical Framework and Literature Review**

### **4.2.1 Theorising the Practices of Accountability**

In understanding the practice of accountability, I adopt the practice theory of Schatzki (2002), according to whom a practice is ordered by understandings, rules and teleo-

affective structures. Understanding is the ability to perform a practice, rules are explicit formulations that prescribe how the practice should be carried out and teleo-affective structure is the range of aims, intentions, ends and even emotions that are acceptable in a practice. Understandings how to do a practice can be distinguished as practical and general understandings. Practical understandings refers to the specific knowledge about how to perform a practice, such as detailed procedures in preparing a budget, while general understandings refers to less detailed knowledge about particular activities but the level of understanding is sufficient to make sense of the practices.

The understandings, rules and teleo-affective structure are the property of a practice and not the property of an individual or the sum of the individuals' properties. Thus, in this study, a practice of accountability reflects a set of understandings, rules and range of ends that is independent of the understandings, rules and intentions of the participants in a practice. An individual is said to be a member of a given practice if he expresses similar understandings, observes similar rules and share similar intentions that characterises a practice. Nevertheless, Schatzki's practice theory is not ignorant of the role of the practitioner that brought about the practice.

Schatzki makes his point in discussing the perpetuation of academic practice (2005; p. 475):

“As for perpetuation, the practice component of a practice-arrangement bundle is perpetuated largely by individuals being incorporated into and carrying them forward. Academic practices vary only so much across the various universities where students learn and graduate students receive training and gain employment. In learning to carry out such practices at one school, graduate students and students are introduced to, or at least provided analogues of, the practices they encounter in their subsequent places of education or employment. Similar remarks apply to arrangements. Carrying on the variant practices requires drawing on acquired know-how, acquiring additional know-

how, and becoming familiar with whatever different rules, ends, projects, and equipment are germane to the new practice-arrangement bundle.”

In the present study, Schatzki’s conceptualisation of practical intelligibility is useful in understanding how organisational members selected what mattered to them and how they proceeded towards these ends. For example, when there was a request for urgent delivery, they were presented with options either to accept or to reject the request. In deciding on a solution, members may have drawn from their experience, from their understanding of organisational priorities or from their assessment of the urgency of the request. Those sources of understandings influenced their cognitions by indicating to them what actions had to be followed in the continuous flow of activities (Schatzki, 2001, 2002).

In this regard Schatzki (2002) explains that practical intelligibility is individualist phenomena (p. 75), i.e. the selection of what makes sense to humans is always a function of human features. For example, why A instead of B matters most to an individual and what she did to pursue A is determined by her desire, belief, intentions or emotions.

The determination of what people do in Schatzki’s account is:

“What I mean is not whatever mechanisms might be causally responsible for the carrying out of bodily doings that constitutes the performance of the actions. Rather, I mean the specification of x-and not y or z-as the action a person intentionally and knowingly (seeks to) carry out at a given moment (via his or her bodily doings). The actions that people intend knowingly to perform are those that make sense to perform. I call the state of affairs that action makes sense to someone to do ‘practical intelligibility’. I should explain that practical intelligibility is not the same as rationality. What makes sense to people to do is, intrinsically, neither what is nor what seems rational to do.” (Schatzki, 2001, p. 47)

While the intelligible actions seem most of the time to be the rational course to take, or the most likely to be accepted as the best actions to take in a particular situation, this is

not necessarily the same as what others might view as the most rational things to pursue. For this reason, some actions in the day-to-day activities within an organisation could not be interpreted as a result of rationality or normativity. For example, a doctor is always confronted with the problem of whether to keep in hospital patients with symptoms of disease until they are proven well, or to discharge them as it is costly to keep them in when they show only symptoms. In this instance, a doctor might decide to observe the patient in the hospital since their experience may tell them that 90% of those with such symptoms would come back a few days later with more serious conditions. This might seem to other practitioners, faced with shrinking resources, and believing that such symptoms are rarely caused by severe virus attack, to be an irrational means of fulfilling the public demand for health care. Such a decision is a reflection of practical intelligibility. This is what is meant by Schatzki's assertion:

“What people, at almost any moment, are *in the first place* doing is whatever at that moment makes sense to them to do.” (2002, p. 76, emphasis in original)

#### **4.2.2 The Interplay of Accounting, Strategising and the Practices of Accountability**

Strategy is often black-boxed into strategy formulation and strategy implementation (Chua, 2007) in management text books, a separation which always assumes the former to happen at the top level of an organisation and the latter as carrying out what has been decided in the former process. Such a contention does not hold true if we focus our attention on strategising instead of strategy (see Chua, 2007; Ahrens and Chapman, 2007; Whittington, 2003; Jorgensen and Messner, 2010).

Strategising offers an opportunity to expand the investigation beyond the board room to the various ways strategy is manufactured at the operational level (Ahrens and Chapman, 2007; Chua, 2007). The various ways in which actors enact the strategy would contribute to a better understanding of strategy in practice. The notion of strategising refers to the “doing of the strategy”, i.e. “the construction of this flow of activity through the actions and interactions of multiple actors and the practices that they draw upon.” (Jarzabkowski et al., 2007, p.8). The flow of activities may refer to the micro phenomena - for instance, between multiple layers of organisational hierarchy - or macro phenomena, such as between organisation and its industry and other relevant institutions and clients.

One common theme that has been the main focus of prior studies which sought to link strategising, accounting and the practice of accountability is the use of accounting in enabling the mesh of corporate strategy with the messiness of everyday practices (see, for example, Ahrens and Chapman 2007; Hansen and Mouritsen, 2005; Jorgensen and Messner, 2010; Miller and O’Leary, 1994; Roberts, 1990). In all these studies, the role of skilful actors in enacting the strategy was informed by their understanding of the context in which they were supposed to contribute, such as the high levels of uncertainty and complexity of R&D projects described in Jorgensen and Messner (2010), a commercial organisation operating in a competitive environment in Ahrens and Chapman (2007), or an organisation that was pressured into placing their fate in the hands of the management of conglomerates which were known for their asset stripping strategy, reported by Roberts (1990).

The importance of understanding the context in which accounting and strategy relates is argued by Chua (2007) p.492.

“We might know, in general, on average, how firms said to be pursuing a particular strategy might budget in the face of assumed levels of certainty. But firms do not seek to be ‘average’, deviations from the norm may be normal and models of the past may be poor predictors of the future. Perhaps, greater engagement with the messiness of practice will enable us to understand it better and therefore teach more credibly. We would add much needed situated detail to current research in accounting that seeks to match accounting controls with abstract strategic archetypes.”

The relationship between accounting, strategy and accountability has long been posited in accounting literature. The mesh of accounting and strategy has been the main idea proposed in the literature that argues strategy as emerging and accounting as not merely corresponding with but also shaping the creation of the strategy. The studies of Mouritsen (1999) and Miller and O’Leary (1994) are two notable instances of the meshes of accounting and strategy and their influence on the practice of accountability.

Two competing management control systems discussed by Mouritsen (1999), a “paper” version proposed by the CEO and a “hands-on” version advanced by the production managers, points to the interplay between strategy, accounting and the practice of accountability as a process that is interpreted, fabricated and made sense of within an organisation. The strategy of the CEO to subcontract part of the production process is mobilised by an understanding of accounting that such a strategy would change the nature of the cost to variable and enable control from a distance (Miller and O’Leary, 1987; Roberts and Scapens, 1985). The paper version strategy is explained by arguments claiming that more accountability is visible through the hierarchical relationship between organisation and subcontractor than the ambiguous accountability which results from a

large amount of indirect cost. In contrast, the hands-on version of management control systems expresses the doing of the strategy of improved bottom line by engaging in the arguments that emphasise the management of political relationships within the organisation, enacted through the socialising form of accountability. Accounting in this version of strategy is not so important as a measure of performance, but it is a reflection of how well it can be articulated as a language that makes an intelligible connection between the production process and the human and non-human participants in the production practice. In both versions of management control systems, strategy is not a definite pathway created by the management, but rather the step by step processes which require a reciprocal relationship between strategy and accounting, and their influence on the intended practices of accountability. This implies that an understanding of accounting shapes how strategy is comprehended; how far accounting is useful depends on the strategies to embrace.

Similar arguments are also presented by Miller and O'Leary (1994). The implementation of the "plant with a future" that changed the spatial reordering of the factory floor at Caterpillar exemplified the mutual dependence of strategy and accounting. The new work flows of the production process were taken on board by combining the abstract notions of flexible manufacturing and customer focus with the concept of cost and return on investment that transformed the factory floor into calculable space. The strategy to win the global competition removed the notion of accounting from a remote practice to one form of expertise that contributed to the meaningful conceptualisation of the flexible manufacturing strategy. While strategy was framed through the accounting language of

measurement and comparative analysis against Komatsu, the usefulness of accounting lay in how it translated the complex intentions of the plant with a future into an intelligible endeavour in the eyes of the organisational members and to the customer on whom it aimed to focus. As such, the plant with a future was made operable through the meshes of accounting and strategy which brought a new form of accountability that encouraged the lateral relationship among co-workers and direct accountability to the customers.

In the context of the privatised organisation, studies that sought to link accounting, strategy and accountability deal primarily with the tension of managing dual accountability. Abu Kasim Nor-Aziah and Scapens (2007) assert that the new budgeting system and the appointment of state accountants were the manifestation of managerial intent (Ahrens and Chapman, 2007) in achieving both public and financial accountability. As the case unfolds, the resistance of the operational manager against the new budgeting system and the lack of experience demonstrated by the state accountants reinforced the existing operational routines at the expense of financial accountability. However, Ogden's study (1995) illustrates a positive phenomenon of the constitutive role of accounting within privatisation programmes. Unlike Abu Kasim Nor-Aziah and Scapens (2007), the organisational members in this study were continuously persuaded to engage with accounting; first they were introduced to the vocabulary of cost in the pre-privatisation period, and later the vocabulary of profitability emerged in the post-privatisation period. The buy in was gradually achieved through the strategic efforts of senior management to change the corporate culture from engineering and operational-

based culture into a new one that gave prominence to business priorities and customer focus.

Dent (1991) illustrates a different approach for strategising. In the railway company which formed his case study, the strategic directions towards financial independence from government were achieved through the strategic actions of the business managers. He reported that although the appointment of business managers was a strategy formulated by senior management, gradually the doing of the strategy primarily rested in the hands of these business managers. He observed that the appointment of business managers was interesting since there was no job specification except the request “to see what they could do” (ibid. p.716). This was therefore illustrative of the role of practical intelligibility. Given the pressure to reduce operating costs, it made sense in such a situation to change the mindset of the railway men. Such work requires the ability to sell “business-like” ideas to the railway men, and therefore to prepare specific guidelines of what shall be done by the business managers seemed difficult. This flexibility had given them unlimited opportunity to encourage the railway people around them to see the logic of managing the railway by numbers. Although they were not successful all of the time, in every episode of change that was introduced, the number of railway men subscribing to the promising reality of managing by numbers kept increasing. Gradually the old railway culture was forgotten and was replaced by the business culture. This case is exemplary in the sense that it shows how the understanding of accounting was mobilised through strategising activities in order to create new accountability practices.

The studies conducted against the backdrop of a privatisation programme undoubtedly contribute to our understanding of the constitutive role of accounting in shaping organisational practices. With the exception of Dent (1991), whose analysis is concerned with the activities of the business managers, the studies so far in this genre emphasise the strategic actions of senior management in preparing the landscape through which accounting should take part in the processes of accountability in an organisation. It is, therefore, help us to visualize the relationship between strategy, accounting and accountability as a top-down approach.

The recent focus on the doing of strategy, or “strategising”, however, has promoted the understanding of strategising as a phenomenon of opposite direction. It is concerned with understanding the role of organisational members at the operational levels in making sense of their activities and the associated material arrangement that they used (Ahrens and Chapman, 2007; Jorgensen and Messner, 2010; Whittington, 2003).

In the study of Ahrens and Chapman (2007), for instance, the relation of accounting and strategising was demonstrated through the various ways in which the organisational members drew on menu design in organising their functional activities in order to meet the financial and strategic objectives of the organisation. Restaurant managers, for instance, in meeting the performance target set by the head office, maintained their own preferences in terms of what they thought were suitable ways of managing their activities. Some restaurant managers preferred to distance themselves from day-to-day activities, while others chose to become involved in every aspect of the operation in order to ensure

that restaurant staff follow the specific set of standards of serving customers. As a result, the organisational members in this case “drew on but were not captured by the performance metrics” (ibid. p.22). The “demand to give account” was determined by the accomplishment of the business objectives, yet the “giving of the account” varied from one restaurant manager to another.

The findings of Jorgensen and Messner (2010) add to this point. They note that the complexities and uncertainties of the R&D project they studied would not allow accounting measurement alone to accurately reflect the state of the product development. The case showed that in justifying the performance of each stage of the development process, the organisational members had to connect the accounting numbers presented with the overall intentions of the product development, such as whether those figures had reflected the essential matters and constraints of the next stage of development. Interestingly, in the development of one of its products, named Alpha, there was no attempt to prepare cost and benefit analysis; instead, the organisational members agreed that the project should form the basis for learning and would then frame the direction of modularity development in the organisation. This perhaps would be the most sensible action to take in view of the new technology and uncertain nature of the products.

Jorgensen and Messner’s study is notable in showing that accounting remains important despite the fact that, in certain contexts, it is not possible to translate organisational activities into their calculative measure. It is illustrative of the dynamic interaction between accounting and strategising and their consequences on the practice of

accountability. In this study the interplay between accounting and strategising was the means through which the alignment between various divisions was accomplished and the uncertainty and complexity of the new product development projects were tackled. The decision to go modular was not based on the precise financial calculation of profit or loss; rather it reflected the argument of the benefits of modularity in improving the quality of the products, increasing customer satisfaction and decreasing the lead time in new product development, which was expressive of the understanding of the financial consequences of the strategic choice to go modular. The decision by the organisation to go modular makes sense in the face of pressure for market growth from its parent company and intelligible activity in the practice of R&D. The interaction between accounting and strategising consequently changed the practice of accountability from functional to lateral accountability.

In the present study, I seek to bring attention to the relationship between accounting and strategy in an organisation that has to manage dual accountability. As the case will illustrate, managing dual accountability is an on-going practice in which the interplay between accounting and strategising is an on-going process. The selection of which strategy to pursue and the way in which accounting is implicated in the strategising process are both shaped by practical intelligibility. The next section will discuss the literatures on the interdependence between hierarchical and socialising accountability that will frame my analysis on how hierarchical and socialising accountability coexist in an organisation.

### **4.3 Studies on Processes of Accountability – Hierarchical vs. Socialising Accountability**

In the preface to their book, Munro and Mouritsen (1996) called for more research into the processes of accountability. They state that “instead of just assuming that accountability is being pressed into all walks of life, the critical point is to see *differences* in accountabilities that are emerging.” (emphasis in original)

Following this call, Roberts (2001) studied processes of accountability in board rooms. Building on his earlier work (1991) on differences between hierarchical and socialising forms of accountability, he suggests that socialising forms of accountability by way of face to face meetings and opportunities to challenge assumptions and dialogue could improve board governance. He contends that accountability in such a case can be viewed as a “learning process” (p.1563).

In contrast to hierarchical forms of accountability which promote utilisation of accounting information in order to justify one’s position in a hierarchy, the socialising form offers opportunity to use accounting to advance learning. In this regard, Roberts (1990) discusses this notion of learning when he notes the effort of factory managers to equip themselves with the understanding of how their figures related to the needs of other departments in the context of presenting their case at the annual conference. Similarly, the tour of the CEO around the factories provided a means of interpreting the numbers

and enabled him to give merit to every proposal that had been presented at the conference.

While many studies argue that the hierarchical form of accountability is less desirable than the socialising form (Roberts, 1991, 2001), empirical research seems to suggest that it still plays a substantial role in organisations (O'Dwyer and Unerman, 2008; Collier, 2005). The importance of hierarchical accountability was acknowledged by Roberts (1991, p.364)

[...] the externally imposed order of hierarchical rules offers a variety of forms and relief; it brackets off and thereby to some extent protects collective action from the intrusion of irreconcilable personal differences, and it realizes a presence in local contexts that threatens to uncover and thereby perhaps inhibits the personal abuse of power or the fraudulent potentials of a local group.

Roberts (1991, 1996) suggests that the interdependence between hierarchical and socialising accountability has the potential to minimise the unintended effects of both types. Both hierarchical and socialising forms of accountability are not mutually exclusive, as the functioning of one does not take place in the absence of the other. Roberts' study (1990) is illustrative of this point. He observes that organisational members were expected to achieve the target set by the conglomerates, yet the achievement of those targets would potentially place their own position at risk. In this case, the conference method that was introduced contributed to a certain extent to humanising the effects of hierarchical accountability. The conference was a means to provide understanding to the organisational members as what was expected by the conglomerates, as well as compensating the partial representation of accounting figures.

Through active questioning, discussion, exchange of ideas and mapping the implications of local strategy to the overall strategic direction of the group, the study pointed to the potential of learning from the socialising form of accountability to shape the hierarchical form.

The coexistence of hierarchical and socialising accountability is most sought after to encourage moral and strategic practices of accountability (Roberts, 1996). While the study undertaken by Collier (2005) is illustrative of this point, it also draws attention to the potential setback that was not fully captured by both hierarchical and socialising accountability and which might affect the broader accountability to the public at large. In studying the processes of accountability of the board members, he argues that the problem existed because the partial representation of accounting figures in the board meeting was not supplemented by a narrative that could provide sufficient information that was needed in the board's rationalising process. Collier suggests that greater engagement with the context in which the practice of accountability takes place may enhance the potential of the socialising accountability to "question what is not there but should be there" (p.948) and challenge the representation of accounting performance.

The two dimensions offered by Roberts (1991) are particularly useful in understanding the processes and practices of accountability in an organisation. A practice consists of general and practical understandings, rules and intentions (Schatzki, 2002, 2005). Practice at the organisational level is not the aggregate of individual practice, rather it is a collective accomplishment. As a result, some individual routines or habits may have been

modified or abandoned over time due to the alignment, interaction and shared learning of what is deemed intelligible by other members of the organisation or a wider practice arrangement net (Barnes, 2001; Gendron et al., 2007). Understanding the practice of accountability therefore requires a close examination of the role of the practitioners who carry it out (Schatzki, 2005). The present study suggests that the interplay between hierarchical and socialising accountability occurs through strategising and is dependent on rules, understandings and intentions that characterise accountability practice.

My arguments in this paper are based on the process of interdependence of hierarchical and socialising accountability. Although Roberts argues that the socialising form is usually practiced among individuals of equal power, the present study demonstrates the interplay between hierarchical and socialising forms of accountability that contributed to the temporal symmetry of power between the organisation and the government. In any hierarchical relationship - for instance, a contractual relationship - resources such as technologies, assets, technical expertise and information that are possessed by parties to the contract are the sources of power that enable them to shape the contractual relationship according to their will, to negotiate solutions and to humanise, to a certain extent, the hierarchical feature of the contract. However, it was through the talking, negotiations and discussion - the features of socialising accountability - that these sources of power were made visible to the other party to the contract. The process of talking, discussion and negotiation would normally engage the participants into drawing each other's attention to the power that they possess and thus create the temporal symmetry of power between the parties in the practices of accountability. Symmetry of power,

therefore, is not the condition for socialising accountability; rather it is the outcome of the interplay between hierarchical and socialising accountability.

The interplay of hierarchical and socialising accountability also encourages the advancement of learning that is reflected in the general and practical understandings of the practice of accountability. An understanding of how to conduct the practice of accountability usually develops in the course of learning that involves activities such as being trained and on-going performance of the practices concerned (Schatzki, 2002).

#### **4.4 The Case of a Privatised Pharmaceutical Organisation**

Privatisation has been a phenomenon in public sector organisations since the beginning of the 1980s. Among its aims are the reduction of the government's burden and the increase in efficiency of the delivery of government services. As stated above, the organisation started as part of privatisation initiatives in the country and the concession agreement embedded the explicit rules that structured the relationship between the organisation and the government in the post-privatisation period. The nature of the business as a manufacturer and distributor of pharmaceutical items placed it within a highly regulated industry.

The concession agreement contained rights and obligations of both parties under the contract. The main conditions under the first concession agreement are as follows:

1. The delivery period was sixty days from receipt of the order from the hospitals or clinics.
2. The organisation was required to set up an IT infrastructure in the government's hospitals and clinics.
3. The organisation had to assist in grooming local manufacturers, a condition that required the organisation to procure certain pharmaceutical items from selected companies listed under the government's adoption scheme. Although the organisation was responsible for calling for tender of the Approved Products Price List (APPL) items, the selection of the suppliers was carried out by the government.
4. At any time, the organisation had to maintain stocks of essential items that were sufficient for three months' consumption in the government's hospitals and clinics.
5. The organisation was required to take over the workforce of the agency at the time of privatisation and offer them equivalent benefits.

The agreement also contained provisions for the government to terminate the contract should the organisation fail to fulfil the terms of the agreement. However, the terms and conditions were very loose, not only in the eyes of the government officials but also as perceived by the organisational members. For instance, there was no condition that allowed the government to penalise the organisation if it failed to deliver within sixty days.

The nature of the business, involving the manufacture of pharmaceutical items, required the organisation to comply with Good Manufacturing Practices (GMP) and be subject to audit from various regulatory bodies. Compliance to GMP was crucial as it could threaten the organisational existence<sup>3</sup>. The material used to construct the building, the equipment used, the manufacturing processes, the factory operations and the attire of the operators had to be GMP compliant. Although this is a case of a privatised organisation and the influence of the government on the priorities of the organisation is undeniable, the present study does not intend to provide a detailed description of the effect of privatisation on the practices of the organisation. Rather, this study concentrates on the processes and practices of accountability within the organisation and how its members strategise to achieve its financial objectives as well as upholding its public accountability. Section 5 below represents the empirical data on the everyday practices of accountability and the relation between accounting and strategising in managing dual accountability in the organisation. The data in this section highlights the perception of organisational members and government officials of the consequences of the concession contract on their accountability relationship.

---

<sup>3</sup> In the year 2010, the manufacturing license was suspended for 13 days following the issue of the storage and segregation of rejects material and quarantine materials in its premises. The license was reinstated after a thorough audit from the government.

## **4.5 Everyday Practices of Accountability: The Consequences of the Concession Contract**

### **4.5.1 The Practices of Accountability – Hierarchical Form of Accountability**

The privatisation of a government agency is sometimes associated with the sharing of public accountability with a private sector entity. It usually occurs when the government still plays an important role in the activities of the organisation despite the claim that privatisation should reduce government intervention and political interference (Ogden, 1995). The present case illustrated the problems of dual accountability and managing the shared accountability faced by the organisation and the government respectively in discharging their accountability. The government agency responsible for monitoring the performance of the organisation is a department within the Ministry of Health (MOH). However, the policy issues relating to the privatisation programme - such as the decision whether or not to renew the concession agreement - come under the jurisdiction of the Planning Agency that is responsible for the privatisation programme. The Ministry of Health submits a proposal for recommendation to the Planning Agency, which then has to consider the reported performance, privatisation policies and strategic planning of the government as a whole.

In the present study, the concession agreement was the mechanism through which the government could dictate the activities of the organisation. The selection of suppliers, for instance, was undertaken by the government. In the first concession agreement, there was

only one supplier for each pharmaceutical item. This created a problem for the organisation in the event of the selected supplier being unable to deliver the amount requested by the hospital. The backorder problem would impinge on the organisation's performance, the targeted revenues would be affected and the government would demand an explanation from the organisation. Backorder was usually included as a permanent item on the agenda in the dialogue sessions between hospitals and the organisation, as well as during the liaison meetings between the government and the organisation. For the organisational members, this was a constant annoyance as the suppliers were selected by the government, yet the organisation had to be responsible for their performance. The concession agreement also required the organisation to seek government approval if it wanted to procure the backorder items from an alternative supplier. The practice of the government in managing this problem was a frequent source of dissatisfaction expressed by organisational members:

“We have zero stock, write to them, we have found this supplier, alternative supplier, asking for approval, no response, how do you manage, if you ask me what the government should do, this is the thing, they have to change the mind set. It is a partnership.”

Senior Manager Logistic 1

On the other hand, the government officials expected the organisation to play a greater role in the pharmaceutical industry as part of the objectives of the privatisation programme. However, this expectation was not explicitly noted in the concession contract except within the general conditions that required the organisation to groom local manufacturers. Additionally, the absence of a condition that allowed the government to penalise the organisation for late delivery did not support the condition that required the organisation to deliver the product within a specific time frame. The lack

of clarity in the concession agreement therefore created difficulties in exercising hierarchical accountability. Insufficient understandings of what was expected by both parties added to the problem:

“The problem with MNPharma is just that it is a middleman. In the concession agreement, for example, under the adoption scheme, we hope that it can help to groom, to develop local manufacturers, so that they can be global players, but you know, MNPharma did not do much.”

Senior Government Officer 2

The organisational members also questioned the role of the government in monitoring the concession. As argued by a senior manager in the logistic division:

“More surprisingly, when we did our first negotiation [renegotiation of the contract after first phase] with the government, they came here, we invited them to have a meeting here, and that was the first time in 15 years some of the officers entered into our warehouse.”

Senior Manager Logistic 1

“Suppose MNPharma cannot supply. What have you done to MNPharma? Have you ever understood their problem, can we change certain things to solve that problem? Isn't it government's role to do this?”

Senior Manager Logistic 2

These views illustrate the problem associated with the concession practices, the root cause of which was the ambiguity of the concession contract, which was the source of the hierarchical relationship between the government and the organisation. Consequently, the power of the government to enforce the contract was also limited. The main issue for the organisational members was the restriction on purchasing from alternative suppliers when the appointed supplier failed to deliver on time. This also forced the organisation to be heavily involved in the bureaucracy of the government agency, which in some way contradicted the spirit of free hand promoted by privatisation programmes. For example, the organisational members argued that it sometimes took more than three months to

obtain the consent letter from the government to buy the backorder items from an alternative supplier. The individualising effects of hierarchical accountability not only promoted narrow expectations based on one's hierarchical position, but also was the most significant effect on a privatised organisation, demonstrated in this case by its consequences on the accountability to the general public and the effect on the organisational bottom line.

Although as a set of rules, the concession agreement signifies a fragile influence on the practice of accountability, it also represents a significant source of general understandings in the day-to-day activities, and unlike rules and intentions, understandings often change (Schatzki, 2002). Understandings can change through learning, altered circumstances or change in the order or doing of the entities that people use (Schatzki, 2002). For example, alterations in the spatial ordering on the manufacturing floor in Caterpillar (Miller and O'Leary, 1994) changed the understandings of how to measure the performance of the workers. In the present study, the change in understandings was partly shaped by the introduction of Key Performance Indicators (KPIs) and it was enacted through socialising accountability.

#### **4.5.2 The Practices of Accountability –Socialising Form of Accountability**

The year 2008 was important in that a major transformation in the role of KPIs took place within the organisation, which started to cascade targets to every employee, including non-executives who also had to share some parts of the corporate KPIs. The discourses

on how KPIs could affect everyone in the organisation were diffused through a series of workshops, monthly staff assemblies, internal publications and departmental meetings. The significance of KPIs lies in that they are not only a form of quantitative measurement of individual and organisational performance, but are also important for their discourse that encourages thinking and doings aimed at improving understandings of key issues within an organisation that can support the achievement of its goal.

The implementation of KPIs at the end of the concession period helped the organisation to promote the idea of KPIs to members. The threat of non-renewal of the concession encouraged members to concentrate their efforts on enhancing the organisation's performance, in particular in improving the speed of delivery of pharmaceutical items to the hospital and clinics. One member of the warehouse staff, responsible for the transport section in the branch located on the east coast of the country, argued:

“We have to ensure that our products are delivered to the hospital on time, else this could be the reason for not getting the renewal!”

With almost 90% of its revenue derived from concession business, it made sense that everyone in the organisation demonstrated to the government their seriousness in fulfilling their accountability under the concession contract. The most important impact of implementing KPIs was their role in changing the practical understandings of the concession practices. Instead of relying on the guidelines specified in the concession contract, the organisation introduced its own set of KPIs to measure the performance of its services which were more reflective of its capabilities. For example, the organisation set the target to deliver pharmaceutical items to the hospitals within the local area in two

working days, while delivery to hospitals in other parts of the country was in seven working days. To avoid the tendency of achieving the delivery target at the expense of the quality of the services, the achievement of the delivery target was matched against the number of complaints received. These efforts proved to be fruitful in preparing the organisation for more stringent requirements in the second term of the concession contract.

The same member of warehouse staff from the transport section added that he kept a personal diary to record the tasks that he completed every day (usually he recorded the delivery order number that was assigned to him). This, he argued, would be the evidence to show to his superior in case he did not satisfy the performance evaluation of his superior. He said:

“[...] the bosses always say that you have to show initiative in order to get incentive. I choose to keep personal diary because it can be verifiable.”

For its part, the government has urged its agency to play a greater role in monitoring the GRCs. For that reason, increased involvement was noted towards the end of concession. The government not only started to call for frequent face-to-face meeting, but also its officials visited the suppliers under the adoption scheme and requested the organisation to provide reasons for the backorder, urging it to solve the problem and asking for more reports on stockholding levels in the organisation's warehouse. For example, in 2008, the government requested for the first time to be involved in the selection of the supplier receiving the Vendor Excellence award, although the initiative was not one of the requirements under the concession agreement. This, according to the government official

interviewed, would allow them to gain better understanding of the supply side practice of the concession business. The organisation welcomed this effort as it showed the government's concern over the performance of the suppliers; furthermore, the organisational members argued that it was, to a certain extent, part of the government's responsibility, since it appointed the suppliers.

The collaboration between the government and the organisation was strengthened by such activities as the joint audit to the suppliers' manufacturing facilities. Through these activities, the government and the organisation managed to share part of the accountability to the public in terms of the compliance of the vendor's manufacturing facilities to the GMP.

A senior government official described the changes in the government practices in monitoring the organisation:

“In actual thing, we do get involve in choosing the suppliers to supply the products under APPL items, but previously we do not really get involve in monitoring the relationship between MNPharma and the suppliers, we did not. Now we get involve in choosing the suppliers and at the same time we get involve in monitoring the supply chain things and our concern are that we cannot accept anymore, MNPharma says oh, the supplier has got problem, they cannot supply these things, you know, so we want to know why and we want to know how they are going to overcome this. Before this, when MNPharma has a problem, they will call, please help us to settle, no more. Now we want to know why and how you are going to settle it.”

Senior Government Officer 2

On the part of the organisation, more frequent meetings with the government were conducted to urge them to speed up the approval process to buy from alternative suppliers in the event of backorder. Sometimes the senior management of the organisation

informally visited the government officers to discuss paperwork and suggestions to improve the delivery to the hospital, and especially to deal with the problem of backorder that was beyond the control of the organisation.

The role of liaison officer was expanded to include the provision of relevant reporting to the government, especially in terms of providing information about the supplies of products to the hospitals and clinics. By the end of the study, the management of the organisation was in the process of creating a separate liaison unit specifically to deal with the Ministry of Health.

The dialogue session became a very important platform that allowed face-to-face discussion between the organisation, the hospitals, clinics and the monitoring agencies. Although it had been in existence for some time, towards the end of the concession it had become a platform for the organisation to justify its relevance and importance in fulfilling public accountability. The dialogue session offered the opportunity for both parties to discuss problems and negotiate solutions: the effort of the organisation to compile the problems from the hospitals, to present the status of these problems and to propose solutions were argued by many of the government officials as being useful in improving communication and coordination between the hospitals, organisations and the monitoring agencies. One of the agenda items in the dialogue session included the presentations of the amount of the supplies to the hospitals and clinics, together with backorder figures.

The face-to-face meetings and dialogue sessions, and the work of liaison officer all reflected efforts made to humanise the conditions of the concession contract. They also represented strategising activities that aimed at the achievement of the broad objectives of the organisation. The role of liaison officer, for instance, was not only intended to speed up the information flow between the organisation and the government, but, importantly, she was responsible for capturing information that would help the organisation to interpret what is not explicitly stated in the concession contract. Interestingly, the role of liaison officer was one of the strategising activities to assist the organisation in obtaining first-hand information on other government healthcare projects that was not included in the scope<sup>4</sup> of the concession agreement. The effort of the organisational members to visit the government officers informally to discuss the problem of backorder was reflective of the concern over bottom line as backorder represented the reduction in the organisational revenues when the organisation would not be able to sell the products to the hospitals and clinics. This attempt was also in line with the organisation's public accountability in ensuring sufficient stocks of the pharmaceutical products in the government hospitals and clinics. The general understandings established by the concession contract, together with the understandings shaped by KPIs, infused strategic actions that were enacted through socialising accountability.

As a result of a series of negotiations between the government and the organisation, both parties agreed that the main issue to be addressed from the first concession was to change

---

<sup>4</sup> Concession agreement gives the organisation the right to supply 571 pharmaceutical items to the government hospitals and clinics. This constitutes about 50% (by SKUs) of the overall consumption of the government hospitals and clinics.

the delivery period from sixty days to seven days with a penalty of a certain percentage in the case of late delivery. Furthermore, for each pharmaceutical item, there were at least two approved suppliers to reduce the problem of dependency on one supplier, as encountered in the first concession period; there would also be a clause that required the organisation to undertake product sampling at least once in every six months to reduce the problem of unsatisfactory quality.

When questioned about the large discrepancy between the old delivery terms and the proposed change in the new contract, Senior Manager Logistic 2 comments:

“It is good because that will make us more competitive. That means we ourselves also have to reengineer our processes and find improvement.”

The Senior Government Officer 2 also views the new terms as promising:

“But whatever it is, because MNPharma, the concessionaire, they have the logistic, they are developing the IT facilities to facilitate in term of procurements, providing us the information on the inventory, and also their efforts to improve the delivery systems [.....] [t]here is no problem of accepting them, is just that we want to make sure that both parties, the government and the concessionaire, they gain, both of them win.”

The two above comments reveal the perception of both parties on the concession contract, implying that both parties acknowledged the weaknesses on their part in the first concession contract. For the organisation, the new terms of the contract were a challenge to fine tune their activities to improve their performance. To a certain extent the new terms also signified the government’s attempt to regain some of the control that had previously been lost as a result of the ambiguity in the first concession practices.

In the first phase of the concession contract, rules were unlikely to shape the practice of accountability. The lack of clarity of the contract left the terms and conditions subject to

interpretation by its parties: they drew on the concession contracts as a source of general understandings and intentions of the concession practices. Intentions, or aims, of the practice are also associated with affectivities (Schatzki, 2002), thus the strategising activities are a reflection of practitioners' choice of the most intelligible action based on their understandings of the practice. As the case noted, the lack of understandings of what was expected from the concession business, together with the ambiguity of the conditions of the contract, encouraged the organisational members to acquire more knowledge and understandings through informal interactions, frequent meetings and the expanding role of the liaison officer. Such socialising effects improved learning and introduced changes into the organisational and governmental practices towards the end of the concession. The practitioners on both sides were considering new terms and conditions in the new concession agreement. It can therefore be observed that the interplay between hierarchical and socialising forms of accountability occurred through strategising.

The present study also suggests that the interplay between hierarchical and socialising accountability contributes to the temporal symmetry of power between the organisation and the government. Through concession agreement the power rests substantially with the government. However, this was only partially exercised as a result of the ambiguity of some parts of the concession contract, such as no provision for a penalty in the case of late delivery. To remedy this, the government turned to socialising accountability to expand their control on the concession practices. For example, they collaborated with the organisation in a joint audit with the vendor's factory, and took part in the committee for the selection of the Vendor Excellence award. For their part, the organisation was enabled

by the ambiguity of the contract to gain some power to shape the concession practices. For instance, the pressure it exercised on the government to speed up the approval process for procuring backorder items from alternative suppliers was suggestive of temporal symmetry of power between the parties. Furthermore, the exercise of organisational power in this sense challenged the condition of the contract requiring the organisation to maintain sufficient stocks for public consumption. Some conditions of the concession agreement also directly contributed to the temporal symmetry of power between the government and the organisation. For example, the condition that required the organisation to set up the IT system in the hospital proved to be a source of power to the organisation. As Senior Manager 1 in the logistic division comments:

“If the government wants to seek from others [to give the concession to other company], they can do but the new company has to spend about USD60 million on infrastructures, we have it paid off within the last 15 years. We have the advantage in term of cost, experiencewise, we supply to remote locations whatever, Zuellig and Diethlem [two Multinational players in pharmaceutical industry in the country] never do such work.”

The fifteen years’ experience in dealing with the distribution of pharmaceutical items to the government hospitals and clinics throughout the country not only assisted the organisation in building a trusting relationship between its own members and the personnel in hospitals and clinics, but, importantly, it became the source of competitiveness with other pharmaceutical players in the domestic market.

The organisation’s investment in the IT system was acknowledged by the majority of the government officials interviewed as the factor that would most influence the government’s decision to renew the contract. As argued by one of the government officers:

“You see the problem at our side is very poor monitoring system, in fact there is no system at all, when MNPharma supplied the computer system [ the organisation set up the computerised procurement system for the government], that feature to catch the late delivery is not inside, is not in their interest to put that feature inside the system.”

Senior Government Officer 4

The present study is suggestive of the coexistence of the hierarchical and socialising accountabilities within an organisation and the dynamic relationship between the two. This interplay between the two forms occurs through strategising and, as the following section will illustrate, it assists the organisation in managing dual accountability. The next section will discuss the organisational practices in managing dual accountability, illustrating how KPIs as general and practical understandings were embedded in the strategic actions of the organisational members.

#### **4.6 Managing Dual Accountability**

The absence of competition in many of the privatised industries requires the same focus on public service delivery as in the pre-privatisation period, as well as assuming responsibility for generating profit from their activities. For the reason of protecting the well-being of the general public, there are terms and conditions that a privatised organisation usually has to abide by, such as ensuring sufficiency of pharmaceutical items in government hospitals and clinics, as illustrated in this case. Specific to this case, the organisation’s status as a GRC adds to public and government expectations of its role to improve the nation’s provision of health services. However, there is a limit to what a single contract or any predefined procedure could explain. For example, standard

operating procedures, manuals, accounting reports and minutes of Board of Directors could collectively give understandings, rules and intentions of a practice, but on their own they are not conclusive. We need more narrative, discussion, interpretation and, to a certain extent, negotiation in order to achieve the intentions embedded in the contract or to respond to the emerging issues that were not covered by the contract or procedures. After a certain period, procedures, rules or contracts need to be revised. Hierarchical and socialising accountabilities therefore coexist no matter the response of the parties to the contract or how carefully the contract was designed.

As discussed above, the organisation was bound to fulfil the accountability stipulated under the concession agreement and the contractual accountability formed the basis for the organisation to meet its financial accountability. The revenue from concessions represented 90% of its total revenue. The financial targets set by the parent company required the organisation to ensure the sustainability of revenue from concession business. The implementation of KPIs were seen by the organisational members as a tool to align the effort of all departments to that end.

Embedded in the contractual accountability was the accountability to the public, whereby the organisation was indirectly responsible for the availability of the pharmaceutical items for public consumption. While the general public did not have the power to scrutinise and demand the organisation to account for its activities - except for those who were the shareholders of the organisation - it was, however, as answerable to the government as it was to the demands of the public. As a concessionaire that owned the

right to distribute pharmaceutical items to the government hospitals and clinics in the country, it controlled about 50% (in term of SKUs) of the government market. The sufficiency of the pharmaceutical products for the public was, therefore, substantially dependent on the performance of the organisation. The manufacturing operations entailed the organisation to be directly accountable to the public for the efficacy and safety of its own products.

Unlike the organisation of privatised utilities in the country, the competition in the pharmaceutical industry was more intense, coming from multinational companies (MNCs) and other local generic pharmaceutical organisations as well as from manufacturers of patented pharmaceutical products. Sustaining the concession business was therefore very crucial to maintain sustainable financial performance. For a private sector organisation, the main objective is to accomplish financial accountability. In this organisation, the financial accountability was explicitly known by its members through KPIs that were cascaded down by the parent company. Among the objectives of KPIs was the encouragement of goal alignment among departments and divisions in the organisation. It gave an understanding of how to carry out such activities in the organisation as the success and failure of the activities were largely measured by KPIs. To an individual practitioner, it simply indicated whether they would qualify for bonuses and annual salary increment. KPIs have shaped the thinking, talking and activities in the organisation. A manager from the manufacturing division observed:

“People thinking also change, everyone talking about target, last time throughout the year nobody talk about target, now everyone talking about target, so something positive is happening.”

In an interview with Senior Officer 2 in the logistic division, he argued the significance of accounting figures in monitoring the organisation's performance:

“Because by indicators, you can see already, the number of backorders products, the number of items which yet to put away, they all indicators. You know when indicators surface something is not right. I don't have to be behind you to see who you talk to; I don't need that. The moment I saw indicators still surface, still not resolve that means there are some processes still not intact.”

The dependency of the organisation on revenue from concession business required the organisation not to disregard their public accountabilities. Practice such as borrowing stock from one hospital was sometimes undertaken in order to meet the demand from another hospital, in particular for life-saving items. To a certain extent, the organisation had to incur extra cost in order to allow for urgent delivery to the hospital, although such urgency occurred as a result of poor planning on the part of the government. As argued by Assistant Manager 1 in the logistic division:

“It can be their own planning but it doesn't matter, it is our responsibility as the concessionaire, especially when the order is for life saving products, I guess there is no compromise.”

His view was shared by the manager of a branch situated on the east coast of the country, which was in a worse position than other branches; indeed, most of the hospitals in the state can only be reached by multiple mode of transportation:

“We know that it gonna kill our budget, but we would find ways to mitigate the problem, we might recover the cost from on-going negotiation with the transport providers”.

Manager 11

The case of urgent delivery exhibited the role of practical intelligibility in shaping the practice of accountability. There were no specific guidelines from the management regarding urgent delivery. In fact, to decide the urgency of an order was frequently left to

the discretion of the operational staff. To meet the request meant that the organisation had to bear the associated cost, and failure to do so might affect public accountability; the products might be life-saving items, even so, accepting the request would affect the organisation's bottom line. Although caught between the two types of accountability, the organisational members chose to accommodate the request, drawing on the broad objective of their concession business that their existence was to serve the public. However, financial accountability remained significant, and strategic actions came into play by on-going negotiation with transporters.

As part of the contractual agreement with the government, the organisation had to maintain three months' stock of essential items, which required efficient stock management:

“For us, the executives who control the stock, we have to know to play with the figure; we know that the warehouse cannot manage 3 months stock. If we have reliable suppliers, we will keep 1 ½ months stock here and keep 1 ½ months in suppliers' warehouse. So when we need the stock we just call them to deliver to us.”

#### Senior Executive 1 Supply Chain

The case illustrates the day-to-day practices of managing dual accountability. While financial accountability was the essence of the business, public accountability remained intact. The practice of the supply chain executive in ensuring compliance with the concession agreement by keeping part of the stocks at the supplier's warehouse was an instance of strategising activity introduced to manage dual accountability in the organisation. This action was based on an understanding of accounting principles of

stockholding cost. By keeping part of the stock at the supplier's warehouse, the organisation could minimise the stockholding cost. This would be reflected in its bottom line while remaining accountable to the public in ensuring sufficient stock. This was also an instance of the role of practical intelligibility in shaping the accountability practices. With lack of clarity in the concession contract about where to locate the stock, the practice of keeping it at the supplier's warehouse was the most intelligible action in order to meet the KPIs set by management, as well as fulfilling public accountability.

Additionally, this case of urgent delivery and stock management depicts how organisational members shared similar intentions of the practice of concession business. Maintaining three months' stock of essential items and delivering the products within stipulated times on receiving an order from hospitals lay within the range of intentions of the concession practices. These intentions are unevenly incorporated into a practitioner's mind (Schatzki, 2002). For example, for the above executive in the supply chain department, sharing the intention of the warehouse practices meant that three months' stock should be available at any time no matter where this stock was located.

In the manufacturing division, concern over financial accountability had led the management of the organisation to initiate a few strategic initiatives. At head office level, consultants were hired to study the operations of the manufacturing division and to suggest a continuous improvement programme. The consultant's initiatives infused strategic actions in the manufacturing division, including activities related to

improvement in Overall Equipment Effectiveness (OEE).<sup>5</sup> On average, the OEE of the manufacturing division fell within the range of 40% to 50%. Improvement in OEE is a means to achieve cost reduction and consequently to increase the bottom line. The OEE initiative involved recording and monitoring information about the operation time; downtime such as preparation, start-up, weighing, cleaning, set up; planned downtime, including briefing, assembly and meals; mechanical faults; utilities; and waiting. To support this exercise, the management of the division introduced its own initiatives, such as appointing a TLC (Tightening, Lubricating and Changeover) team, comprised of engineering staff responsible to take care of the engine part of the machinery. The purpose of creating the TLC team was to enable the operators to concentrate on the running of the product only. The production managers also managed to bring in the TLC team members as part of the production team to report directly to the production manager. This moved the control of the change-over process from engineering to the production department.

Most of the initiatives were based on the premise of providing visibility of actions on the production floor. The implementation of the initiatives was not problematic since the idea of quantitative measures was not new to them. For example, the daily work of the operators was characterized by such calculative measures as checking the mathematical accuracy of a product's components in the Batch Manufacturing Record (BMR), updating

---

<sup>5</sup> OEE is made up of 3 elements; availability, efficiency or performance and quality. The formula to calculate OEE in this organisation is as follows:

Availability ratio X Efficiency ratio X Yield ratio

the log book, displaying performance information, and even relating the recruitment of operators to their ability to do simple arithmetic.

The notion of public accountability in the manufacturing division was straightforward. As a manufacturer of pharmaceutical products, it was bound to comply with the stringent requirements of various pharmaceutical regulatory bodies as to the safety and efficacy of the products. The activities in the manufacturing division were organised around meeting the GMP since all procedures in the manufacturing division have to meet GMP guidelines. Little flexibility was allowed in terms of production process as most of the changes had to be approved by the pharmaceutical regulatory body. In that sense, public accountability in terms of the safety and efficacy of the pharmaceutical products was secured. The manufacturing operations were also subject to regular audit from regulatory bodies or contract manufacturers to check their compliance to the GMP guidelines. This audit was crucial for the organisation to increase public confidence in the efficacy and safety of their products. Consultants were hired to educate the members in this division on how to ensure the audits were organised successfully, and on identifying the aspects of operations to be improved and the appropriate actions that would be required in the event of non-compliance in certain aspects of operations.

The strict compliance to GMP guidelines was encouraged by the expectation placed by the government on the organisation's operations. As narrated by a senior manager of manufacturing operation in his informal discussion with government officers:

“In informal discussion with them, I said, ‘Your audit on our operation is really tough, unlike the way you audit others.’ Their response was that, ‘your plant is the reference plant for our country’, so every time they have their counterpart coming from overseas, they will bring to our plant. So they said, ‘If we don’t push hard on you, how can we say that this is the reference plant, then it would be embarrassing for the country that it is the reference of our standard. That’s why we are harsh on you, but if you maintain a high standard, any visitors come will have a perception that our country’s pharmaceutical industry is very high standard’.”

This statement was acknowledged by some of the government officials interviewed. According to them, it largely related to the fact that the establishment of MNPharma was not simply to take over the function of the Government Medical Warehouse (the then government agency); rather, part of the agenda was to create a pharmaceutical organisation that could compete with MNCs and to improve the quality of domestic pharmaceutical manufacturing and delivery systems. As part of the GRCs (Government Related Companies), the government expected the organisation to be the leading actor in realising the government agenda, and some government agenda were explicitly stated in the concession agreement – for instance, to groom local pharmaceutical suppliers. For that reason the government was concerned with organisational performance. The success of this organisation would not only form a benchmark for the standard of the pharmaceutical industry in the country, but also the aim was for the organisation to train and support the development of other local pharmaceutical suppliers to reach the same

standard. For example, in the half-yearly review of the GRCs transformation plan in 2010, it was stated that if GRCs were to expand their business and become regionalised, they should bring their local partners and suppliers with them. It was also in this spirit that the government and organisation collaborated in auditing the compliance of the manufacturing facilities of the local pharmaceutical suppliers with GMP guidelines.

In the manufacturing division, the concern with production targets and with compliance to guidelines of GMP were at first glance two competing accountabilities as GMP required a substantial cost of compliance. However, as the case has illustrated, both were equally important in the manufacturing division, especially with the government's perception that the manufacturing plant was the reference standard for the country. Compliance with GMP is the condition of its existence while the production target is the indicator of its performance. In the manufacturing division, GMP practices comprised the practical understandings and rules that had to be followed, while accounting shaped the practices as part of the general understandings in managing dual accountability.

#### **4.7 Discussion**

In the preceding sections, I sought to illustrate the day- to- day practices of accountability in an organisation that has to manage dual accountability. The first set of empirical data presented the consequence of the concession contract on the practice of hierarchical and socialising accountability in the organisation. The second empirical section discussed the

practice of managing dual accountability and the role of accounting and strategising within this process.

In organising my material around the theoretical insights of Schatzki (2002), I focused my analysis on the understandings that took place as a result of the concession contract, the rules that were prescribed by the concession contract and the intentions embedded in the concession practices. Hierarchical accountability was undermined by the lack of clarity in the first concession agreement, and this encouraged the organisation and the government to find other means of fulfilling their accountability. The absence of penalty in the case of late delivery, for instance, caused difficulty for the government officials in relying on the contractual agreement to demand accountability hierarchically.

The restriction of buying from alternative suppliers without government approval encouraged the organisation to turn to the socialising form of accountability through frequent meetings, informal interactions, negotiations, dialogue sessions and the expanding role of liaison officers. These were the activities aimed at shaping their accountabilities.

Contrary to the notion that accounting is mainly implicated in the exercise of hierarchical accountability, the present study asserts that accounting also plays an important role in socialising accountability. In the organisation observed, the implementation of KPIs changed the practical understandings in concession practices and this change was enacted

through socialising accountability. While it can be argued that understanding is an important element in a practice of accountability, on its own it does not infuse action.<sup>6</sup>

Instead, it is through strategising that understanding infuses actions. The dialogue sessions and face-to-face meetings, the expanding role of liaison officer, and the appointment of consultants were not straightforward translations of strategic initiatives to quantitative measures; they were shaped by the wider concern on improvement in bottom line (Jorgensen and Messner, 2010). The pressure placed by the parent company to achieve financial targets grew from the shared understanding of the members in the organisation. KPIs had pushed the members to revisit their activities in order to achieve the organisation's objectives. They helped to remind them of the rationale behind the concession business, i.e. to ensure accountability to the public through better provision of pharmaceutical services, and to achieve sufficient bottom line as a public listed company. Based on the organisational broad intentions, together with the individual practitioner's intentions - such as to achieve KPIs for securing their year-end bonus - the organisational members crafted strategic activities at the level of their operation to fulfil the demand of dual accountability, as illustrated in the arrangement of storing some stock in their supplier's warehouse.

---

<sup>6</sup> This is argued by Schatzki (1997, p. 303): "Understanding et al. are not states of an abstract mental or real underlying apparatus that are causally related to actions. They are, instead, conditions of human existence: aspects of how things stand or are going for someone ongoingly involved with persons, objects, and situations; for example, that something is to be realized (having a purpose), that something seems to be the case (believing), and that something is annoying (being annoyed)."

The present study also illustrates that the symmetry of power is not a pre-requisite of socialising accountability. On the contrary, it is suggested that it was the limitation of the concession contract which was the source of hierarchical accountability contributing to the symmetry of power between the government and the organisation. Nevertheless, this was only a temporal phenomenon, as the parties continued to address their problem through socialising accountability; new knowledge and learning may emerge that encourages them to turn to the hierarchical accountability that offers the advantage of control from a distance and straightforward notions of accountability. As a result of discussion, dialogue sessions and regular face-to-face meetings, more specific conditions under the new concession contract, such as having two suppliers for each pharmaceutical item and changing the delivery period from sixty days to seven days, are illustrative of the turn towards a more hierarchical relationship.

The study has further illustrated how organisational members, in managing dual accountability, mobilised strategic actions with an understanding of accounting. In the manufacturing division, for example, managing dual accountability reflected an on-going struggle between financial and public accountability. As a division in the organisation, it had to meet certain financial targets in meeting its financial accountability to the parent company. This required the manufacturing division to improve the overall efficiency of its equipment and to focus on producing high value items at minimum cost. The challenge was to achieve this aim but not at the expense of GMP practices. The manufacturing operation entailed direct accountability to the public as to the efficacy and safety of its pharmaceutical products. The GMP practices, which formed the basis of their

continuous existence, were incorporated in standard operating procedures that covered every aspect of manufacturing practices. This necessarily involved a high cost of compliance in terms of investment in special equipment and specificity of the manufacturing buildings that had to meet the GMP guidelines, as well as compliance costs of other routine operations.

The case of the manufacturing division has provided evidence of how the organisational members tried to manage the competing claims of financial and public accountability through various strategising activities. The appointment of consultants, for instance, was a manifestation of managerial intent to manage dual accountability. The continuous improvement programme introduced aims at improving bottom line, yet this was done under the prescriptions of GMP guidelines. This has been the case for the OEE initiative. The recording of OEE made change over time become visible. The cleaning, waiting and weighing are part of GMP practices but the visibility imposed by the accounting measurement of profit and loss prompted strategic actions to improve the delivery of these processes while the organisational members continued to observe the GMP guidelines.

In managing dual accountability, the selection of what strategy to pursue and how accounting is implicated in the strategising process were both shaped by practical intelligibility. The case of urgent delivery is illustrative of this point. In deciding an appropriate course of action in dealing with urgent delivery, organisational members were faced with two strategic choices, i.e. to choose a cost control strategy or to choose a

customer satisfaction strategy. The act of the members in choosing to consider the urgent delivery, thereby adopting the customer satisfaction strategy, is a reflection of practical intelligibility. As the concession business was the main source of income for the organisation, and the end of the concession period was approaching, it made sense to meet the request so that the organisation could satisfy its customers; furthermore, this might influence the government to renew the concession. However, this does not imply that accounting is not useful in such a case. The on-going negotiation with the transporters to recover the cost of urgent delivery revealed that accounting remained significant. The interplay between accounting and strategising can be seen as a series of actions in a continuous flow of activity, partly influenced by the state of mind (Schatzki, 2002).

#### **4.8 Conclusion**

Managing dual accountability is a common feature of many privatised organisations. It is often a challenging process since many of these organisations engage in providing public goods, and government interference is, to a certain extent, still significant. This is the main issue argued in the present study, when the concession agreement is unable to function as a set of rules to guide the practice of accountability within the organisation. This study is illustrative of the experiences and difficulties faced by a privatised organisation in its struggle to manage dual accountability.

The aim has been to highlight the relationship between accounting, strategy and the practice of accountability as a feature of everyday practices in managing dual accountability. In contrast to the notion that accounting is often associated with the exercise of hierarchical accountability, the study demonstrates that general understandings of accounting practices can be enacted through the process of socialising accountability. This promotes the idea that accounting is a practice that is able to engage mind, doings and sayings that reach beyond the quantitative measures.

As the case has illustrated, managing dual accountability is an on-going process that involves the interplay between accounting and strategy. The understanding of accounting that is embedded in the practitioner's strategic actions shapes sensible action in the continuous flow of activities within the process of accountability. However, the usefulness of accounting in the process of accountability is influenced by strategising. For instance, in the case of urgent delivery, accounting is useful as an alternative mechanism to recover the cost rather than the strategic choice to pursue.

This study supports Roberts (1991) that hierarchical and socialising accountability works simultaneously in an organisation. However, unlike Roberts, who argues that socialising accountability occurs between individuals of equal power, the present study reveals that it is the interplay between hierarchical and socialising accountability that promotes the temporal symmetry of power between the organisation and the government. If the symmetry of power is not a pre-requisite to a process of socialising accountability, there

is a potential for socialising accountability to play a greater role in the practices of accountability in an organisation.

## Chapter 5

### Accounting and Culture: A Practice Perspective of Stability and Change

#### 5.1 Introduction

If we ask any person in an organisation to explain the factors that contribute to the functioning of everyday activities, culture would certainly be suggested (Pettigrew, 1979). Yet, in accounting literature, our knowledge of the influence of culture on accounting practices is rather limited (Dent, 1991; Ahrens and Mollona, 2007).

Thus far, the studies that have explored the effect of cultural practice<sup>7</sup> on accounting control systems (e.g. Bhimani, 2003; Dent, 1991; Marcus and Pfeffer, 1983; Scapens and Roberts, 1993) tend to focus on the study of change (Ahrens and Mollona, 2007). While these studies are notable in showing how culture could influence the fate of accounting control in an organisation, their analyses of cultural influences on everyday practices in these studies are just sufficient in illustrating the organisational members' response towards organisational change, with the exception of Ahrens and Mollona (2007) whose cultural analysis of everyday practices is well illustrated.

The present study seeks to illustrate that more could be learned about the role of culture in shaping accounting practices by studying its influence on the coexistence of change and stability of accounting practices. The reasoning underlying this idea is based primarily on the fact that social orders are made up of bundles of activities (Schatzki,

---

<sup>7</sup> This term is borrowed from Ahrens and Mollona (2007).

2002) and the same streams of activities constitute both phenomena (Schatzki, 2002, p.254). Further, it is hard to separate the phenomena of change and stability, which often occur simultaneously by way of on-going alignment of practices. According to Schatzki (2002, p.254), “There is no question of *either* stability *or* change. The only question is how slight or prodigious the differences over time among the doings and sayings, rules, and teleo-affective structures that compose practices.” (emphasis in original).

The analysis of the effect of cultural practices on the coexistence of stability and change aims to propose an answer to the question of how the process of organisational transformation takes place within an organisation (Busco et al. 2007) and suggests stability as the function of ‘sameness’ (Schatzki, 2002, p.9) and ‘similarity’ (Schatzki, 2002, p.12) rather than merely a matter of routine. Understanding stability and change as part of the effect of cultural practices offers the advantage of analysing stability and change as a result of the human activities and their relations with the materials arrangements in a situated context. It is therefore not susceptible to the problem of studying culture as the subjective experience of the individual practitioner, or ‘what’s going on in people’s minds’ (Ortner, 1984). Instead, the study of stability and change as cultural practice focuses on the mesh of practices and orders in which the participants of a practice possibly derive their identities and appreciate ‘what something is’, or the meaning of their activities.

In discussing stability and change as cultural practice, this study aims to shed light on the following:

1. The present study aims to illustrate that the understandings, rules and teleo-affective structures that order practices and the bodily doings and sayings that compose a practice are continuously subjected to alteration. According to Schatzki (2002), the process of alteration of understandings, rules and teleo-affective structures is called 'reorganization' and the alteration in the doings and sayings is called 'recomposition' (p.240). The reorganization of rules and teleo-affective structures is an intentional process and rarely occurs. The recomposition of practices and the reorganization of practical understandings, on the other hand, are continual and often unintentional processes. The alterations of practices are the outcome of agency, or, using Schatzki's term (2002), is 'doing'. Thus, viewing stability and change of practices is a matter of interpreting and charting the role of agency that influences the contour of the practices.
  
2. This study suggests that bodily doings and sayings that compose a practice symbolises the understandings, rules and range of aims of the practice. For example, the eating ritual (Martin and Siehl, 1983) in socialising practices in GM is a symbol of whether someone is a team player. The willingness to spend time with peers during lunch time signifies that someone is committed to their work and is ready to fit in the group. These symbols reflect cultural influences on the organisational practices.
  
3. Because symbols are context specific, an organisation is usually divided into subcultures such as those based on occupational communities or on the

geographical location of the branches or subsidiaries. This study seeks to illustrate the influence of subcultural practices on the stability and change of accounting practices.

The study is set in the context of a pharmaceutical organisation, which at the time of the investigation promoted a programme of cultural change called TOPIC. This programme encouraged values considered by the senior management as desirable behaviour, aimed at aligning the interest of the organisational members. For the senior management, this programme signified the establishment of a new culture within the organisation, and provided support in their struggle to achieve both the financial target placed by its parent company and the implementation of Key Performance Indicators (KPIs) throughout the company. In the light of these developments, this study analyses the everyday practices of accounting in the organisation and the influence of subcultural practices on the stability and change of accounting practices. The next section introduces the theoretical lens of this study as well as the important concepts such as agency, doings, sayings and discourses employed in this study. It is followed by the literature reviews, and brief information about the study context. Next, the empirical findings are presented by comparing the role of human and non-human agency in influencing change and stability in two divisions in the organisations. In the logistic division, the findings direct our attention to the differences in the agency of the former warehouse manager, the new management team and TOPIC in changing the practices and arrangements of the warehouse floor and the effects of such efforts to the efficiency and effectiveness of the delivery of warehouse activities. In manufacturing division, the findings point to the

agency of the finance team and accounting discourses in bringing about the mesh of accounting and manufacturing practices. The discussion and conclusion are offered at the end of the paper.

## **5.2 Theorising Cultural Practices – Exploring the Role of Agency**

### **5.2.1 Practices, Agency, Discourses**

Theorising cultural practices has both ontological and epistemological implications for the study of stability and change of accounting practices. At the ontological level, the social life of humans is an interweaving network of practices and orders (Schatzki, 2002): a practice is a set of bodily doings and sayings that are linked by understandings, rules and teleo-affective structures. Schatzki defines “bodily doings” as the actions that people directly carry out using their bodies, such as waving, shaking their head or turning on a machine, while “sayings” are subsets of doings, i.e. sayings do not necessarily involve language since waving, or winks or shakes of the head are their equivalent, given the context of their occurrence.

Understanding reflects an awareness of how to carry out the practice. For example, the picking process in a warehouse can be done manually or with the assistance of forklifts and an automatic stock retrieval system; rules are explicit formulations that prescribe how operations should be done, such as standard operating procedures or rules of thumb, while teleo-affective structure represents a range of ends, intentions or emotions related

to a particular project or task - these may include achieving 20% Return On Investment (ROI) for its investment, expanding its market overseas or introducing two new products every year. Schatzki (2002) defines 'order' as an arrangement of human, artifacts, organisms and things in which these entities derive their meaning and identity. Practices and arrangements are both constraining and enabling for one another, and the mesh of the two is where human life transpires.

To explain the phenomena of stability and change of practices is to account for the agency that brings them about (Schatzki, 2002, p.266). This implies, at the epistemological level, that one has to acquire this knowledge through close observations of performance of the practices, which may include employing techniques such as observations and active questioning of the participants. The traditional concept of agency as solely attributable to human intentionality has been rejected by practice theorists such as Latour and Schatzki. Instead, they suggest that both humans and non-humans possess agency that shapes practice-arrangement meshes in an organisation; in addition, the organisation of practices and orders prefigures what actions are acceptable and what are not.

Schatzki (2002) defines agency as "doing", i.e. carrying out bodily doings and sayings that form part of a practice, or that make, or help to make, something happen causally, that leads to the modification or alteration of practices and/or orders (Schatzki, 2002, p.192). He states: "By 'doings', moreover I mean a type of occurrence in the continuous flow of events that befalls humans, organisms, artifacts, and things, singly or collectively (ibid. p.191)." "Doings"

are events that are traceable to the agents responsible for the accomplishment and on-going enactment of those events. The prefiguration of agency is determined by the mesh of practices and orders. In other words, the doings that agents carry out are dependent on the numerous ways in which the mesh of practices and orders can make those doings messy, daunting, difficult, straightforward, smooth, viable, promising, risky, etc. (Schatzki, 2002, p. 226). For example, an electronic ordering system enables the organisational members to speed up the order fulfilment activities in a warehouse. At the same time, problem with data interfacing between the customer's computer system and that of the warehouse may cause the storekeepers to pick wrong items.

In the present study, both stability and change are argued to occur as part of on-going everyday practices. Change can intersect with everyday practices, as Schatzki explains (2005, pp. 475-476):

“Changes in practice-arrangement bundles can be intentional or unintentional and known or unbeknownst to participants. Changes are also typically piece-meal and gradual, alterations in any component of a bundle being accompanied by continuity in others. Practices can, however, be changed more wholesale, when conscious intervention (from the inside or outside) reworks goals, alters rules, and redesigns projects.”

In everyday practices, change could happen through the meshing of diverse practices in an organisation. Two or more practices are said to mesh when they share activities through the overlapping of practices. The activity of authorising travelling expenses, for example, belongs to the practices of both human resources and the finance office, which are thus said to have meshed. Empirical studies of accounting in action have also illustrated the relevance of the concept of meshing in its practices. For instance, Ahrens (1996, 1997), Jorgensen and Messner (2010), Mouritsen (1999), Vaivio (1999) and many

others have shown us how the mesh of accounting with other organisational knowledge have shaped the management control practices in an organisation.

Through agency, practices perpetuate, with the effect of both stabilising and changing the practice-arrangement bundles. Following Schatzki (2002), this study defined stability into two categories. First, the stability of small-scale or simple phenomena is defined as the continuation of the same or similar activities. Stability as a function of sameness does not represent the repetition of the same, or a matter of routine, but it is a continuation of the identical, or almost identical, bodily doings and sayings, i.e. the activities in the same office, treatment of the same clients, attending the same meeting, carrying out the same interactions, etc. Stability as a function of similarity consists of bodily doings and sayings that exhibit the shared features of practices. For example, the use of an computerised inventory system alters the way in which the stocks are recorded, since the manual recording of stocks is not the same as computerised recording, but the functions of both systems are similar, i.e. to update the movement of inventories. Stability of a large-scale phenomenon, on the other hand, represents the harmonious functioning in organisational order in which its components can adjust to changes in other components, and therefore maintain the overall equilibrium (*ibid.* p. 9).

Change, on the other hand, occurs when activities alter practices more vigorously - for example, the use of a robotic system in the manufacturing line may stop the production of a certain product line as it may not be compatible with the robotic technology. Change

therefore happens as the existing practices expire, and may include reorganisation and recomposition resulting from thought and cognition. Although thought and cognition seem to be associated with the features of the individual, they form the basis of human agency in initiating a practice and continuously enacting it.

The present study supports Schatzki's argument that stability and change emerges through agency (2002). He asserts:

“To say that Y is attributable to the agency of X is to say that X either did Y or did something that determined Y. If Y is an action, the agent is whatever performed it; if Y is an articulation of intelligibility, the agent is whatever articulated it (a practice, a person, a text); and if Y is a change in the world, such as a computer's change of location or the breaking of the herbs house's windows, the agent is whatever directly brought it about, for example, a trader or a mighty hailstorm.” (p. 191)

However, although Schatzki explicitly affirms non-human agency, he still hesitates to directly attribute the effect of such agency on the practices-arrangements meshes. He instead suggests that non-human entities, while having the capacity to initiate changes to practices-arrangements meshes, are derived from the agency or from the doings of humans that involve intentionality, planning and deliberation (p.198). He illustrates this in his discussion about the agency of artifacts, such as the texts to which Latour claim to impute the status of actor and non-actor and that have agency in their own right. He states: “The particular network that a text describes is directly attributable to the human writing the text, whereas the text's creation of a reader is part and parcel of the role of texts in human life” (ibid. p.203).

Similarly, discourses have been suggested by many scholars, including those from accounting, to have brought about changes to organisational practices. A discourse, according to Schatzki (2002), may be identified as an ensemble of statements, propositions and their presuppositions (ibid. p.22). The discourse of 'cost' and 'profitability', for example, has had a profound effect on the practice of many government agencies (Dent, 1991; Ezzamel et al., 2007; Abu Kasim Nor-Aziah and Scapens, 2007; Kurunmaki, 1999, Oakes et al., 1998, Ogden, 1995). However, the agency of discourses is not in any way equivalent to human agency. Based on Schatzki's practice perspective, it can be understood that non-human entities such as a discourse has agency, i.e. to shape a practice, but this agency has to be interpreted as a result of human actions as the doer, i.e. as speaker, writer, observer, listener, leading by example, etc. This is consistent with the ontological stance that social life is made up of practices and orders, where agency is understood as the effect of embedding network of entities that create the social orders, i.e. human actions are the outcome of the network of people, organism, artefacts and things in a particular context which themselves are "causal material composition of agents and causal conditions of agency" (p.207).

### **5.2.2 Practices and Culture**

Having discussed the relationship between agency and practices in shaping the stability and change of organisational practices, I turn now to the theory underlying the notion of cultural practices. Following Geertz (1973), culture can be studied through symbol, i.e. something that is publicly available, such as ethos, heroic figure, ritual or stories that

shape the feeling, meaning and identity of the people within a situated context (Ortner, 1984).

“ [...] culture is best seen not as complexes of concrete behaviour patterns- customs, usages, traditions, habit, clusters- as has, by and large, been the case up to now, but as a set of control mechanisms-plan, recipes, rules, instructions (what computer engineers call “programs”) – for the governing of behaviour.” (Geertz, 1973; p.44)

Geertz therefore suggests that culture is not just about behaviour but rather is understood as a set of activities that determine and govern the acceptable behaviours in a particular context. His analogy with computer programs reflects the idea that culture prescribes a set of actions in a particular context in a similar way to a computer programme determining the set of actions that could make its applications work.

Geertz’s conceptualisation of culture as symbol also accords with the notion that culture is what the organisation is, rather than what the organisation has (Smircich, 1983), emphasising the activities in the context under study and regarding culture as what people do in their everyday activities. The notion of cultural practices aims at conceptualising culture as the result of the dynamic relationship between agencies and the organisations of practices and orders in a situated context. This implies that culture not only indicates what people do but also reflects the mesh of practices and orders that prefigures the actions that are acceptable or understood in a specific context. As such, the bodily doings and sayings that form a practice symbolise what is understood and intelligible in a particular context. The following extract from a study of witchcraft among the Azande by Evans-Pritchard (1937) is illustrative of how doings and sayings should be interpreted in the context where they are understood:

“When a Zande speaks of witchcraft he does not speak of it as we speak of the weird witchcraft of our own history. Witchcraft is to him a commonplace happening and he seldom passes a day without mentioning it. Where we talk about the crops, hunting, and our neighbours’ ailments the Zande introduces into these topics of conversation the subject of witchcraft [.....]. Unless the reader appreciates that witchcraft is quite a normal factor in the life of Azande, one to which almost any and every happening may be referred, he will entirely misunderstand their behaviour towards it. To us witchcraft is something which haunted and disgusted our credulous forefathers. But the Zande expects to come across witchcraft at any time of the day or night. He would be just as surprised if he were not brought into daily contact with it as we would be if confronted by its appearance. To him there is nothing miraculous about it.”(p.64)

The bodily doings and sayings that are embedded in the mesh of practices and orders symbolise the understandings, the rules and the range of aims or intentions of a practice. For example, as narrated by Martin and Siehl (1983), subordinates in GM were expected to meet and greet their senior management out of town at the airport, as well as offer to carry their bags, pay for their meals and chauffeur them around the town. These activities are the instance of the doings that indicative of the understandings of work practices in GM. Similarly, in the Azande community studied by Evans-Pritchard (1937), in taking actions against witchcraft, there were socially accepted practices that had to be followed. For instance, the rule was that they should not counteract witchcraft with harmful actions, but rather they should make polite efforts. Having consulted the Oracle (the witch-doctor), the sick person or his kin would ask the Deputy Prince (the representative of the tribal head) to send a messenger, who would bring a chicken’s wing to the witch as a symbol in an attempt to persuade him to withdraw or to cease bewitching the sick person. Apart from being a ritual, the delivery of the chicken’s wing by a messenger signified to the witch that the sick person had consulted the Oracle and that his wrongdoings were known to the Deputy Prince; his behaviours while receiving the chicken’s wing would be reported by the messenger to the Deputy Prince. The understanding was that when a

polite course of actions was taken, the witch would not be humiliated and therefore would be persuaded to cease his activities. Also, the polite action sought to maintain the unity of the Azande community, so that they could live continuously together and cooperate in their daily affairs.

The notion of cultural practices therefore relates to the conceptualisation of meaning and identities. According to Schatzki (2002), meaning is “what something is” and identity is “who someone is” (p. 47). An entity in practices-arrangements meshes, i.e. humans, artifacts, living organisms and things, enjoys meaning and identity as a result of its participation in the embedding network of practices and arrangements. For example, a computer system is known as a computerised stock retrieval system if its applications are used to update and retrieve the stock from the shelves. The computer system therefore derives its meaning (to help the inventory management) and identity (as a computerised stock retrieval system) as a result of its participation in warehouse practices. For the Azande community, the meaning and identity of witchcraft and how to deal with it has to be understood within the activities embedded in their counteractive practices against witchcraft and their associated arrangements. For example, the activity of consulting the Oracle and sending a messenger with a chicken’s wing to the witch, identified the witch to the community, while the meaning was that the witch had to cease bewitching the sick person. However, these activities were intelligible only within the context and practices of the Azande community. As such, the notion of cultural practices denotes the conceptualisation of culture as the symbolic expression of practices. The notion of

cultural practices used in the present paper therefore proposes that culture resides in practices, i.e. bodily doings and sayings that form a practice that is culturally expressive.

### **5.3 Stability and Change as Subcultural Practices**

#### **5.3.1 Studies on Subcultural Practices**

Van Maanen and Barley (1985) define subcultures as “a subset of an organisation’s members who interact regularly with one another, identify themselves as a distinct group within the organization, share a set of problems commonly defined to be the problems of all, and routinely take action on the basis of collective understandings unique to the group” (p.38).

The occupational group is a common example of a subculture found in an organisation. However, a subculture can exist in many ways other than the result of job-related membership. For instance, Martin and Siehl (1983) distinguish three types of subculture: enhancing, orthogonal and countercultural. An enhancing subculture is present when a subset of organisational members within an organisation closely follows a more organisational or dominant culture than the rest of the organisational members. In orthogonal subculture, the subgroup members would simultaneously observe the dominant culture and a set of values or practices unique to themselves. The counterculture, on the other hand, is likely to emerge in a centralised organisation that allows some degree of decentralisation of authority in which its practices may appear as a direct challenge to the core values of a dominant culture.

Despite the various categories of subcultures that may exist in an organisation, the occupational groups seem to be typical of the subcultures noted in management accounting literatures. The existence of subculture has been argued as one of the forces that influence the perceived success or failure of accounting change (Bhimani, 2003; Markus and Pfeffer, 1983; Malmi, 1997). The failure of the implementation of Activity Based Costing (ABC) in Malmi (1997), for example, was partly attributable to the strong subunit engineering culture in which accounting was seen as a peculiar knowledge that had no special meaning to the organisational members. Similar findings were also noted in Bhimani (2003) and Markus and Pfeffer (1983).

Ahrens and Mollona's study (2007), on the other hand, is illustrative of the role of subculture in shaping the everyday practices in a steady state organisation reflecting stability. They note that the way in which the organisational members set their priorities and perceptions on their work were indicative of different subcultures to which they belong. For example, they observe:

“The symbolic fragmentation of smelting as a practice was marked by the different notions of what ‘a good heat’ was according to the smelters, the furnace manager, the quality control manager, and the labourers. They used different knowledge of the production process, and different ways of accounting for its quality and costs. With respect to the subcultures of UNSOR and their symbolic systems, it made a difference if the steel was deemed ready for teeming when it had reached a measured temperature and carbon content, or when its colour had become ‘like milk’ and its surface ‘moved in long waves’ because this difference mapped onto distinctions between industrial and crafts cultures (Ingold, 2000), and thereby the ways in which technologies mediated the organisation's priorities and strategies as well as its social relations.” (p. 327)

For Ahrens and Mollona (2007), the bodily doings and sayings that were embedded in the practices in the hot and cold department that they studied, symbolised the social,

economic and educational background of the organisational members. These factors contributed to the way they formed their identity in the work place and how they attributed meaning to their work. The boys in the cold department, for example, subscribed to the management aspirations of profits as they knew this would secure them a handsome bonus and job security. To these boys, the work place was merely a situation where they could gain economic benefit to support their demanding lifestyle. In the hot department, on the other hand, the smelters, who believed in their crafts and opposed the profit calculations of management who, they claimed, favoured short term profits, were not too dependent on the organisation to meet their ends. Instead, they worked in order to celebrate their pre-occupation with their craft and the high quality product that gave them the feeling of a real contribution to the company's excellence.

Ahrens and Mollona (2007) have opened up a path for understanding control as subcultural practices by highlighting how the social, economic, historical and educational background helped to form the different motivations, perceptions and understandings of the organisational members in carrying out their activities; their study not only shows how culture can be implicated in organisational practices, but they also draw attention to the role of agency in bringing about the stability of organisational practices. In determining the quality of the steel heat, for example, the smelters took account of colour, noise, surface movement and smell. Their qualitative measurements of the quality of the steels were subjected to daily challenges from other organisational members, yet their doings were continuously enacted and have endured, especially given their ability to keep electricity costs down and to use less alloys than had been budgeted for.

### **5.3.2 Agency and Culture in the Studies of Stability and Change**

The importance of agents in promoting stability and or change of accounting practices has been widely acknowledged in accounting literature (Andon et al., 2007; Briers and Chua 2001; Busco et al., 2006; Chua 1995; Dent, 1991; Granlund, 2001; Johansson and Baldvinsdottir, 2003; Abu Kasim Nor-Aziah and Scapens, 2007). Dent's study (1991), for example, is illustrative of the role of the agents and their doings in promoting organisational change. He acknowledges the role of the business managers in a railway company in influencing the change process by translating operational issues into the language of accounting. In each episode, he describes how business managers tried to persuade the organisational members that they would be better off by subscribing to the business and accounting practices. From one episode to another, more members were recruited and the company was gradually shifted from one with a strong 'railway culture' to one which celebrated the 'new business culture'. The motivation of the organisational members in this case arose from the desire to be known as 'business people', who received higher status in the eyes of the public; further, it was noted that the railway company managed to secure funding from the government for a major electrification project as a result of the perceived involvement and economic judgment of some of the business managers.

Dent's study (1991) is exemplary in showing how accounting penetrated into an organisation through the role of business manager as the agent that brought about changes in the organisational culture. Similarly, in studying stability, Granlund (2001)

demonstrates how agency is significant in maintaining stability, although in this case the agency was caused by a single individual in an organisation.

One common approach adopted by many of the investigations of accounting in action is the sole focus on the role of human agency in shaping stability and change, such as the business manager in Dent's study (1991) and the financial manager in that of Granlund (2001). The role of human agencies, however, has proved to be insufficient according to studies based on Actor Network Theory (ANT), as non-human agencies are observed to be equally responsible in shaping the stability or change of accounting practices in organisations. To ANT scholars, stability is a matter of the extent to which the alliance and network of actants in a particular context are fragile or sturdy. An investigation carried out by Gendron et al. (2007), for example, traces the construction of the auditors' expertise in Alberta to the existence of a network of allies such as the Canadian Comprehensive Auditing Foundation (CCAF) and the Alberta Financial Review Commission (AFRC) that assisted in facilitating the auditors' attempt to claim expertise over the program evaluators in assessing the government's performance. Importantly, the publication of various guidelines and recommendations in the auditors' annual reports, as reported in these studies, were the discourses that helped to promote the government's claim of expertise in performance auditing.

ANT-based studies are not only notable in directing our understanding on the role of non-human agencies, they also point to the dynamic relationship between agency and practices in shaping the coexistence of stability and change. As illustrated by Gendron et

al. (2007), the role of human and non-human agencies in the construction of auditing expertise was prefigured by the existing auditing practices in Alberta. For example, the course of actions undertaken by the network of allies in this case to promote the method of assessing the government's performance was informed by the continuous discussions, experiments and validation of similar auditing practices in other jurisdictions. This study also points to the different ways in which the subcultures of the two professional experts (the cultural practices of the auditors and programme evaluators) influenced what they did in their attempt to win the right to conduct performance auditing. To the programme evaluators, performance could be measured more accurately by examining the detailed programme and considering the qualitative aspects of the performance. Taking a similar approach to that of financial auditing, the government auditor focused more on quantitative measurement. This enabled users to make a comparison of performance across various settings and thus make more sense of the wide adoption of their approach rather than the restricted generalisation of a qualitative approach by programme evaluators. The public availability of auditors' reports that enabled the sharing of information among the auditors was another practice that contributed to the success of the auditors' claim to expertise, which, unfortunately, was not part of the practice in the professional evaluators' association.

Although the coexistence of stability and change has been acknowledged in prior studies (Burns and Scapens, 2000; Busco et al., 2007; Dambrin et al., 2007; Lukka, 2007; Siti Nabihah and Scapens, 2005), little effort has been made to explain the process of the coexistence of stability and change in an organisation.

The present study therefore hopes to demonstrate that the coexistence of stability and change occurs as a result of the on-going interplay between agency and subcultural practices. In everyday accounting practices, agency plays an important role in altering the practices, and the magnitude of the alterations determines whether the practices are more or less stable or changing. The common coalition of organisational members according to functional expertise, locations, experience and social and economic background entails the creation of subcultural practices which possess distinctive bodily doings and sayings that symbolise what is right or wrong, as well as the norms, beliefs or expectations in the subculture. Practices are the source of cultural influence in an organisation in which the participants of the practices derive their meaning and identities. It is hoped that this study of the relationship between agency and subcultural practices will shed light on the processes of the coexistence of stability and change of accounting practices.

However, in understanding the phenomenon of the coexistence of stability and change, agency and practices are not analysed as a distinct process, since agency is constituted in practices and practices prefigure the agencies. On these grounds, Ahrens and Mollona (2007) illustrate the interplay between agency and subcultural practices:

“Control practices mobilised, but also depended on, particular accounts of what was profitable and what costly, what represented UNSOR’s most significant capital, and how best to maintain and exploit it in the pursuit of diverse commercial, occupational, and social ambitions and concerns [...].The practical nature of organisational subcultures is revealed through the ways in which their members actively reconstitute their control practices by drawing on them as a shared resource.” (pp.328-329)

That is, they explain that the organisational subcultures are visible through the bodily doings and sayings of the practitioners who enact the organisational subcultures by mobilising various aspects of organisational and social knowledge. However, the extent to which such actions are acceptable is dependent on the symbolic systems of a particular subculture.

The next section will briefly discuss the organisational background and a comparative analysis of subcultural practices in two divisions of the organisation. The discussion will highlight what is at stake in studying stability and change, and a conclusion is provided at the end of the paper.

#### **5.4 The Case Study Organisation- MNPharma Group of Companies**

The context of this study, namely the MPharma was established to take over the function of the Government Medical Warehouse, a procurement arm of the government. This organisation was one of the many organisations that emerged through privatisation programmes that occurred in the country in the early 1990s.

Through the privatisation agreement, MPharma enjoyed a fifteen-year concession to supply and distribute pharmaceutical and medical products to government hospitals and clinics. It sourced its products from both domestic and international pharmaceutical suppliers. Following the merger with N-Manufacturing in 1999, it changed its name to MNPharma Incorporated and subsequently was listed in the country's stock exchange.

The holder of the concession is known as the logistic division, and the manufacturing division is one of the suppliers of the pharmaceutical items to the logistic division.

Since then, it has aggressively expanded its business in various countries in Asia through the establishment of marketing offices and by acquisition. In 2008, its annual turnover was about US300 million dollars.

The privatisation agreement contained a few conditions, including the requirements that the organisation had to maintain sufficient levels of stocks, delivery should be within sixty days, assistance should be given to the government in grooming local manufacturers, and the organisation had to take over the work force of the then government agency and offer them equivalent benefits. As a result, about 70% of the staff at the logistic division was composed of ex-government staff.

The merger with the manufacturing company brought another distinctive subculture into the picture. Proud with their status as a Good Manufacturing Practices (GMP)<sup>8</sup> company, the production activities were significantly determined by compliance with GMP guidelines. Before the establishment of MNPharma, the manufacturing division was formerly a family-owned business producing generic pharmaceutical products and was a supplier to the logistic division. It began its operation in the late 1970s. After they had merged as an organisation, most of the products made by the manufacturing division

---

<sup>8</sup> GMP or Good Manufacturing Practices are the guidelines issued by pharmaceutical regulatory bodies such as USFDA and WHO. Many countries have their own version of GMP guidelines and enforced them according to their legislation. This organisation adopted the GMP guidelines issued by WHO. The compliance to GMP guidelines in this country is enforced through regular audit by pharmaceutical regulatory authority of the country.

were distributed by the logistic division. At the time of this study there were three hundred registered products. The production plant ran twenty-four hours a day in three shifts for five days a week and one shift for eight hours during Saturdays. The plant usually closed during the weekend and public holidays unless the actual production for the month was far behind the target. The dosage forms produced at the plant included tablets, syrups, suspensions, creams, ointments, granules and sterile powders. It had also entered into a contract manufacturing agreement with multi-national companies like Bristol-Myers Squibb, Wyeth and Pfizer.

During the period of the study the organisation was facing cultural change; at least, this was the argument of the senior management of the company. To this end, they introduced a programme named TOPIC, which promoted a set of desirable behaviours in the organisation. TOPIC was seen as a way of creating a model of culture for the whole organisation and of minimising the impact of sub-unit culture. Proud of their new invention, banners were placed in all locations in order to raise awareness; this was considered the right way to be part of the company. In other words, it sent out the message to everyone that if they could not subscribe to the desirable behaviours, they should find their exit door. What prompted the top management to introduce the programme was their worry that the organisation was approaching the end of the concession period, and at the same time its parent company required them to achieve US 1.2 billion dollars in revenue and US115 million dollars of PATAMI (Profit After Tax and Minority Interest) by 2013. The activities of the organisation were categorised into

five strategic areas known as PEPSI, representing productivity, expansion, people, system and image; the performance of these areas were measured by a set of KPIs.

The organisation, from the beginning, depended very much on the concession business. As a result of this guaranteed revenue, the private market had been neglected. Organisational members merely proceeded with day-to-day activities showing less concern over the cost of conducting the business. This behaviour was termed by new organisational members as “complacency culture”. It was in the midst of these problems and the struggle towards their financial target that TOPIC was launched, a programme instrumental in improving coordination between the divisions and departments.

The following sections discuss the ethnography of the two divisions in the organisation. The practices in the logistic division revolved around the management of the stock of pharmaceutical items and their delivery to the hospitals and clinics, practices that originated from the then government agency. The bodily doings and sayings embedded in the extant practices in the division reflected the understandings, rules and intentions of the concession business, and were also largely based on the practices brought from the then government agency. These practices shaped the meaning placed on their activities by the organisational members in the logistic division, and they were the source of their identity. To these members, dealing with the distribution and storage of pharmaceutical items which made a difference to the quality of human life was the source of their identity and their motivation to work. The data from the logistic division highlighted the different ways in which the organisational members responded to accounting

measurement and also how TOPIC principles, especially the focus on teamwork and open communication, formed part of their understanding in performing their activities. The data illustrated the difference in the management of the warehouse before and after the introduction of TOPIC.

The practices in the manufacturing division centred on the production of pharmaceutical items and were highly regulated. The data from this division highlighted the transformation of the GMP culture as a result of the management's aspiration towards higher financial performance. The significance of TOPIC was felt in the area of open communication, which translated into an increase in the frequency of meetings. The case depicted how accounting discourses were embedded in the practice of GMP, practices that required continuity in order to remain in existence.

In both cases, the study aims to demonstrate the role of human and non-human agency in influencing the coexistence of change and stability in this organisation. However, whether the practice was more or less stable or changing was dependent on the dynamic relationship between agency and practices; the coexistence of change and stability therefore occurred through the on-going interplay between the agencies and subcultural practices. Further, both cases illustrate the influence of subcultural practices on the bodily doings and sayings embedded in their practices. The meaning that was placed by organisational members on their activities and their identities are linked to their membership of the practices.

## **5.5 Ethnography of Logistic Division**

### **5.5.1 General Overview of the Activities in Logistic Division**

The logistic division was made up of three departments: warehouse, supply chain management and customer service. The integration of the functions of these three departments was crucial. Hospitals or clinics would place orders using the Hospital Inventory System (HIS) which was connected to the organisation's order management system. The customer service department received the orders and channelled them to the warehouse department. It was thus very important for the logistic division to ensure product availability at all times. This was a crucial function of the supply chain department, i.e. to provide enough stock to meet the demand from the hospitals or clinics while at the same time reducing the stockholding cost. All three departments therefore needed to synchronise their activities; a failure in any one function would have an adverse impact on the customer.

Except for carrying a wider product range and a greater volume of the transaction, the basic activities in the logistic division were not dissimilar from their existing activities in the Government Medical Warehouse. It sourced its product from many suppliers, around 90% of whom were local. About 20% of their total product range was from the manufacturing division. The substantial dealing with local suppliers was part of the conditions of the concession contract, which required the organisation to groom the local medical suppliers. The concession agreement also required the company to keep three months' buffer stocks of essential medicinal items for the government, thus creating a greater challenge for the warehouse management. The management of space and the

speed of delivery were therefore critical success factors for the warehouse management. The warehouse department, one of the departments in the logistic division, comprised three branches: a branch in the northern state and two branches serving the east coast of the country.

The main office of the warehouse management was headed by two assistant managers: one had been with the company since its inception and another had joined the company from a private sector organisation eight years previously. Warehouse personnel were divided into four teams: a government team responsible for the government hospitals; a private team with responsibility for private markets such as private hospitals and clinics, pharmacies and supermarkets; a cold room team in charge of items that needed to be preserved under a certain temperature; and a fourth team responsible for the government clinics and health centres. The same categories also applied to the three branches, one of which was located in the northern state and two located on the east coast of the country. Headed by a branch manager, the branches sourced their products from the main warehouse and distributed them to their respective areas. Because of the volume of the products that they managed, the government and private teams were the most prominent in the warehouse.

Generally, there were no apparent differences between teams in the warehouse department, except in the way in which they responded to the calculative measures that were introduced. It was interesting to observe the dynamics of their relationship, both on the warehouse floor and during their informal encounters. They would arrive in the office

early and breakfast together at the canteen attached to the main building. On several occasions, they usually reflected on their “good old days” in the government medical warehouse, the differences in the work demand and the expectations from the public of their role. At the back of their minds, they were always proud of their business - “sometimes it is a matter of life or death, we have to deliver fast,” argued one of the pickers. Most of them believed that the company should place more emphasis on the government market because that was the essence of their existence - the private market was stealing the profit made by the government market. “If it is my own business, I would have closed the private market segment, it is too costly to operate,” commented one of the warehouse staff while showing me the area where expired products were kept, many of which, he argued, came from the private market.

## **5.5.2 The Process of the Coexistence of Stability and Change in the Warehouse Department: The Interplay between Agencies and Subcultural Practices**

### **5.5.2.1 Altering the Warehouse Cultural Practices: The Agency of the Former Warehouse Manager, New Management Team and TOPIC**

For the logistic division, the Key Operational Performance Indicators (KOPI) report was the yardstick of its operational performance, being the main measure of its productivity and efficiency. Using calculative measures such as the number of stock days, the percentage of on time deliveries, the order processing productivity rate, the percentage of transportation cost from revenue, and the number of complaints received, the organisation endeavoured to demonstrate its accountability to the public. This information would

normally be shared with the Ministry of Health and government hospital and clinics during the dialogue sessions which were organised twice a year in every state of the country.

The categorisation of work into government, private, cold room and government clinics sought simply to accommodate the type of customer they served, i.e. government institutions, private hospitals and clinics and government clinics, while the basic duties of the pickers and packers were quite similar.

The pickers for the government team selected items based on pick lists while the pickers for the private team chose items based on the Delivery Order (DO). The pick lists and the delivery orders were printed at designated areas for printing at the centre of the warehouse. A few years before, the pick lists and the DO were printed at the customer service area which was located on a different level of the logistic building. Once the items had been picked, the customer service then printed the DO; as a result, much time was spent in moving the pick lists and DO from customer service to the warehouse. Previously trained as an accountant, the former warehouse manager saw the opportunity to increase efficiency and to reduce the cost, changing the process workflow: the warehouse department began to take responsibility for printing pick lists and the DO.

By doing this, he changed the mesh of practices and orders in the warehouse department. The changes in the responsibility for printing the pick lists and delivery orders promoted changes in the warehouse orders, i.e. the change in the location of the pick list and DO

printing and the control of the printing schedule. This changed the arrangement between human and non-human entities in the warehouse order. The minimal alteration to the meshes of practices and orders in the warehouse did not disturb the continuity of the warehouse practices, i.e. it did not stop the flow of other warehouse activities such as picking and packing, which had to be done in the same way.

Additionally, he eliminated the pick lists from the work process of the private team, since this team usually dealt with a small volume of products, and there was only a minimal possibility that the stocks would be unavailable. He recalled the time when he had to work hard to change the behaviour of the warehouse personnel:

“There used to be a culture in the warehouse, when the government team completed their tasks, they would just sit and watch their colleagues in the private team struggling to complete their tasks. I changed the practice, everyone had to be multi-tasking and help each other. Of course I received a lot of poison letters!”

#### Former Warehouse Manager

The act of the former warehouse manager in changing the way of doing things from “when the government team completed their tasks, they would just sit and watch their colleagues in the private team struggling to complete their tasks” to one that was cooperative and based on multi-tasking, altering the bodily doings and sayings in the warehouse practices that had been brought from the then government department, where the job was usually organised on the basis of functional order and which was carried out in a highly bureaucratic way. The shift in responsibility for printing the pick lists, and the introduction of shared responsibility between government and private teams, were instances of the role of human agency in bringing about changes in the organisation. As a result, the warehouse practices were

refined, but the reshuffling of job assignments was accompanied by continuity in other components of practices, such as examining the batch number, picking the stocks based on pick lists and working in small teams. As long as the changes did not disturb the unity of understanding, rules and teleo-affective structure, a specific practice was more or less stable. The alterations of the warehouse arrangements and work practices illustrated the coexistence of change and stability, and, in this instance, stability was a function of sameness and similarity because the warehouse practices still observed the same teleo-affective structure while having similar rules and understandings.

The updating of stocks received from suppliers was carried out at the inbound unit. A few members of staff were assigned to update the information in the inventory system, recording units received, type of products, expiry date, location for placing stock and batch number. The record of batch numbers was very important because, in the event of product recall, it would yield the best information to differentiate the same type of product in the market.

The pick lists and the DO were the main reference documents that connected the efforts of organisational members in the warehouse floor. Based on the order number, they showed what items should be picked and where they could be found. The warehouse stocks were kept in two main locations. Bulky stock (for example, syringes, face masks and gloves were always delivered in large boxes) was placed in the Automatic Stock Retrieval System (ASRS) that was coordinated by a computer system and managed by a single member of staff. Once the stock had been placed or removed from the ASRS

system, the balance of the stock would be automatically updated. The less bulky stock was placed in racks based on the stock location in the computerised inventory system. Stock on the warehouse racks was updated by personnel from the outbound unit, forklifts being used to place stock in, or retrieve stock from, the designated location.

At the time of the present study, 70% of the members of the logistic division were ex-government staff, some of whom felt that the management regarded their performance as incomparable with their colleagues who had prior working experience in the private sector. One of the warehouse personnel approached me as I was observing the picking process, and asked: “Did you notice any difference between the performance of ex-government staff and ex-private sector staff?”

Another member of staff responded: “How could she know which one of us was ex-government staff?”

He retorted: “Of course she knows, the old one like us.”

With emotion, he continued:

“Who are the ones that run the business until being this successful? Do they still think that we are not doing our work? You know I usually tell my friends and family about our business, our products and what our company has done for the public. I bet you those new people wouldn't do so because they don't even know how we started the business!”

Another person intervened, explaining to me that the situation had much improved, and that this resentment was due to the management style of the previous warehouse manager who liked to interfere in their daily activities. People felt that they were “treated like kids” and that the management did not trust them. With the introduction of TOPIC, however, most felt that they always had to consider its values in carrying out their day-to-

day activities, and the most influential of these values were teamwork and open communication. They argued that these empowered them when they were doing their work. Everyday practices were the function of agreement and shared understanding among the organisational members on the warehouse floor in deciding the best way to attend to their job. Since the introduction of TOPIC, they spent fifteen minutes every morning attending a briefing to discuss problems as well as providing a platform to exchange ideas.

While following a picker at the cold room area, there was an announcement from the warehouse office announcing the names of staff members to receive hampers for the coming festive season in the country. One of them responded:

“You know, we never had such things in the past, management never shared what they got with us. But now, since TOPIC, they really show us that they are serious about the culture.”

He explained that TOPIC had opened an opportunity for the staff at their level to reduce the gap with the top management. In fact, the managing director welcomed the suggestions from the operational floor and had become accessible to them by introducing an open door policy. He had made various efforts to show his seriousness about openness behaviours such as reconstructing meeting rooms and the offices of senior managers using transparent glass.

The introduction of TOPIC was another alteration to the extant practices in the warehouse department. It stood as a reference point and a source of common understanding for the

organisational members. Unlike the former warehouse manager who relied solely on his experience in bringing about changes in the practices and orders in the warehouse department, TOPIC became a shared resource throughout the organisation. It was a discourse that engaged the organisational members in the warehouse department in considering teamwork and open communication when dealing with their activities. As such, TOPIC discourse also played an agency role in the organisation.

The issue of space was critical to the management of the warehouse, so the warehouse management tried to use every inch of space available. For instance, they used all empty spaces, fixing a 'temporary' sticker on the boxes even though the inventory system actually designated that particular location for other items. Usually, one person would be responsible for keeping track of this kind of arrangement, so it was easy for the management to consult this person with any query about that particular item:

“I usually assign one person to handle the items in the temporary space, any query I will refer to him, it is easy to control.”

“If the person is not around, the practice is he will find another person to take over his job. The most important thing is that he updates us.”

Assistant Branch Manager 1

Unlike the practice of the current management team, the former manager would not consume the space that was designated for other items. He narrated his exchange with another departmental colleague over the warehouse space:

My colleague said, “You keep saying no space, no space, but when I walked around I saw a lot of empty locations.”

Then I said, “That is the place for the stocks that the supply chain must bring in, those are the stocks that are needed!”

Then she said, “Why don’t you, in the meantime put in other stocks?”

I said, “I can put in other stocks but those stocks are not going to move and are going to be sitting there.

When the backorder stocks come in, where am I going to put them?”

“Yes, I can maximize, I can put the slow moving stock up there, but I have to think, you know, where to put the stock in the location. I just need one storekeeper with a forklift, he can take many pallets and put stock inside there, but to pick the stock I have 20-30 guys picking, you know, and the cost of locating the items is more than utilisation of the space. I have to put stocks in the right place so that they can pick [the stocks] easily.”

Sharing his six years’ experience as manager in the warehouse department, the former branch manager described the significant efforts he had made to ensure that stocks were at the correct location, organising the activities in the warehouse to guarantee efficiency in the stock picking process, and taking the necessary actions with staff who had consistently neglected the rules. He reported:

“I spent time more in inbound when I first started, making sure the receiving part that updates the system was correct. After that I went to the location and made sure the stocks in the location were all correct. Then when all that was ok, I started the part of educating the picking process, penalizing the staff that consistently made mistakes, write warning letters, counselling, and of course they didn’t like this kind of thing.”

“Nobody taught me, I re-engineered the warehouse, I changed the location for small quantities and I started maintaining the same stock in two areas. It is inefficient but it is a way to serve smaller customers. I have separate teams but of course when there is a lot of work here, this team will help. During the evening, when the private sector team has a lot of work, the government team will help. I am always on the floor all the time to see where I should move my staff, so the staff don’t like it, they hope that my leg will break one day and I won’t walk around. If I don’t walk around, nobody who has finished their work will come and say, ‘I have finished my work, do you want me to do something else?’ No way!”

The former warehouse manager's practice was a reflection of his experience of the managing accounting function. His concern over the accuracy of stock location greatly reflected his individual attributes as a trained accountant. The changes he introduced to the picking and storing activities in the warehouse were based on his understanding of accounting practices and were enforced through face to face control and penalty. His agencies altered warehouse practices, such as changing the notion of work based on functional responsibility to one of shared responsibility, as illustrated by his attempt to persuade the private and government teams to help each other during peak time. His experience as an accountant shaped his conceptualisation of cost of space in the warehouse, prioritising accuracy of stock location over utilisation of space, thus making the stock locatable and establishing an easier picking process. Having been involved in the preparation of financial statements based on rigid standards, he embraced the management of the warehouse in similar ways. Space intended for product A should not be allocated to product B even on a temporary basis. He nevertheless realised that benefits could be gained from the efficient utilisation of space, in contrast to the expense incurred in locating items. He also used the empty spaces as an indication to other departments that these spaces were for backorder and that they should therefore ensure that they bought the needed stock. He enacted the change by educating the warehouse staff, through continuous monitoring, reward and penalty, to accept this method of organising their work. In this way, the practical understandings of doing things in the warehouse evolved.

At that time, the bodily doings and sayings embedded in the extant warehouse practices were very much shaped by the practices in the then government department, through the agencies, or doings, of the organisational members brought from the government department. Although there was dynamic socialisation among them, they had become accustomed to the norms of work based on function. Therefore, when the former manager changed the ordering of the work flows and job responsibilities in order to minimise cost, his doings were not well matched with the extant doings and sayings in the warehouse department. Even though the use of face to face control, reward and penalty enabled the change process, these methods were viewed by the organisational members as the doings that disrupted the unity of their extant practices. This case is thus illustrative of how the mesh of practices and orders prefigures agency by making those doings messy, daunting and difficult (Schatzki, 2002, p. 226).

The alteration of warehouse practices as a result of the agencies of the former warehouse manager had at least changed the work arrangement on the warehouse floor, where shared responsibility gradually began to form part of the bodily doings and sayings. When TOPIC was therefore introduced, some of its values were not peculiar to existing bodily doings and sayings in the department. The values of teamwork and of open communications promoted by TOPIC shaped the understanding of how to carry out the warehouse activities. These values were easily accepted by the organisational members in the warehouse as they were consistent with the nature of their work, which required close interactions with peers; shared responsibility had been embedded in their extant practices as a result of the agency of the former warehouse manager. By offering flexibility to the

organisational members to organise their own work, the current management drew on the notion of openness and teamwork in managing warehouse practices. They felt that, as long as they could rely on specific individuals to manage the temporary space efficiently, they would consume whatever space was available in the warehouse, even though that particular space had been intended for other products. For them, accuracy was important, but could be supplemented by trust and co-operation. This comment, “If the person is not around, the practice is he will find another person to take over his job”, indicated the spirit of teamwork in the department.

Unlike the practice of the previous manager of the warehouse, both assistant managers tried to give more opportunity to employees to make certain decisions on the running of the warehouse and they simply monitored from a distance. They rarely appeared on the factory floor, instead allowing the employees to agree among themselves the best way to finish their work on time while meeting the operational targets. This was really welcomed by the warehouse employees because it gave them the authority to control their own jobs without, in their view, being policed by the management.

#### **5.5.2.2 Putting Accounting Measures into Action: The Role of Human and Non-human Agency in Government and Private Team**

There was no executive<sup>9</sup> for the government team, but the operations of both the private sector team and the transport section were each overseen by an executive. In the

---

<sup>9</sup> This is an entry level position for a fresh university graduate or by promotion to those who have served the organisation and met the promotion criteria.

government team there were six leaders, one of whom assumed the role of supervisor for the group, although this title (while on a higher scale) did not really represent any hierarchical position within the team and was actually carried forward from their time in the Government Medical Warehouse. With the exception of the executives and those above, responsibilities were not distinctly different from one individual to another; each of them was given picking and packing based on the allocation made by the leader on the day. Either the executive or the assistant manager had to approve the delivery schedule for the purpose of consolidating deliveries that were along the same route, but decisions on the daily operation rested primarily with the employees on the warehouse floor. For instance, they had to consult one another to ensure that the picking and packing process was completed on time, and to decide whether or not to consider urgent delivery.

One of the performance targets of the warehouse department was to deliver the product to the customer within seven days from the pick lists, and KOPI was used as a basis for the management of the warehouse to control their performance. The performance of the individual employees was, however, hard to measure because the KOPI report illustrated only the overall performance. Additionally, the report was restricted to the consumption of those who prepared it and of the warehouse management team, and some organisational members did not even know the existence of the report that reflected the performance of their activities.

Concerned with the fairness of the workload and the possibility that one colleague may take advantage of the efficiency of another, the management of the warehouse introduced

a standardised form, to be completed by each individual in the warehouse to record the daily numbers of the items they picked and packed. In the private team, the executive played an important role in encouraging the employees to record these items, and forms were submitted to him at the beginning of the next working day. He then transferred the items to a separate log book in order to track the performance of individual employees. The log book was made available to each employee with the intention that they might use it to compare their performance with others in their team. Although it took quite some time for him to gain the cooperation from the employees, the executive made an effort to remind them every day until the routine was established that there would be someone who reminded the team to collect their forms before starting their job each day. He personally believed that something had to be done to improve the performance of the employees, and also agreed with the style of the previous warehouse manager who rewarded the staff based on their individual performance, although the executive took a different approach with the same intention: the performance log book was used to show the staff their contribution to the team.

“I don’t believe in policing them like the previous manager, but I do agree with him that they can contribute more to the company. So I let them show their contribution, when their performance is not on a par with others, the peer pressure will start.”

Executive Private Team

“In the beginning it is quite troublesome to put down what we do, but then it becomes natural. We are interested in comparing why this month we cannot do as much as last month.”

Packer

In the private team, the alteration of practices was not only brought about by the agency of the executive, but the log book itself also appears to have played an agency role in the mesh of practices and orders in the warehouse. The log book was created as a result of human intentionality, i.e. the log book was a manifestation of the executive's intention to make performance measurement a visible activity within the warehouse floor. Changes in the speed of the picking process were in response to the calculative measures in the log book. The visibility of performance encouraged each picker to compare their performance against their peers, and the log book became the shared resource that connected the aspiration of the management with the activities on the warehouse floor. It thus promoted change as one of the entities in the mesh of practices and orders on the warehouse floor. It also anchored stability as it did not cause the other elements of warehouse practices to expire.

Similar to the practice of the previous manager, the executive also believed in face-to-face monitoring of performance, so that he could reward only the right person. Avoiding the manner of policing, he usually walked around the warehouse floor during the peak hours so that he was accessible to the team. By doing this, he did not completely depend on accounting measures as a mechanism of control from a distance (Roberts and Scapens, 1985); rather, he made accounting practices part of the “compositional and embedding network” of the management control system (Schatzki, 2002; p.206).

Unlike the private team executive, the supervisor in the government team was not keen about using this form, and although the form was distributed to his team the buy in was

very low. To the supervisor, it was quite impossible to encourage team members to record their work as many of them were older than him, accustomed to thinking that the way they did the job was always the best, and usually regarding him as a new boy. Thinking that pushing for the use of this form would invite an uneasy relationship with his peers, he chose not to rely on it. After all, the management seemed to give some freedom in managing their day-to-day activities. What he did was to ensure that all the pick lists and delivery orders assigned to the team were completed within the day. He achieved this through informal interaction and verbal report, comparing the information with the register of pick lists and delivery orders that he maintained. Unlike the practice of the private team where the picker and packer worked individually to complete their tasks, the staff in the government team worked at least in pairs to ensure the accuracy of the items picked and packed. The arrangement to work in pairs or more also constituted a form of social control since a team member would not want to upset his peer by his underperformance.

The approach taken by the supervisor of the government team reflects his understanding of socialisation on the warehouse floor. For that reason he remained true to the TOPIC principle which promoted the importance of human relations such as teamwork and open communications in doing their activities. He also complemented this with his encouragement of informal interactions and verbal reports as a means to ensure that work was completed on time. Compared with the private team, this illustrated how accounting practices marginally meshed with the picking and packing practices in the absence of the log book. Instead, in this scenario, the ends of the picking and packing practices were

achieved through the agency created from the effect of the embedding network of supervisor, team of pickers and packers and TOPIC discourses.

## **5.6 Ethnography of Manufacturing Division**

### **5.6.1 General Overview of the Activities in Manufacturing Division**

When I entered the premises of the manufacturing division, straight in front of my eyes at the corner of the main entrance to the production area was a large TOPIC banner. Next to it was the main notice board of the division. The first notice that caught my eyes was the information about GMP (Good Manufacturing Practices) and why following these practices was crucial to the success of the company. The notice board also contained information about the daily production target and actual achievement, as well as the activities of the various departments in the division. On my right was the entrance to the production department, where an electronic board displayed the target for the month and the amount that needed to be produced in order to reach the target. As I went along the ground floor corridor, I saw that it was the practice of the departments to display outside their offices information relevant to their function. For instance, the finance department displayed its returns on equity, net profits, earnings before interest and taxes, as well as sales figures, and the supply chain department displayed its production target and actual achievement to date.

It did not take me long to realise that the production target and GMP formed the basis of most of the talk, both official and informal, in the manufacturing division. Information about them was displayed everywhere. Most conversations were characterised by the struggle to balance the GMP status with the production target, which was the primary issue in the manufacturing division since non-compliance with GMP guidelines may have threatened its existence; it was usually the main issue discussed in the production meetings. For example, in the case of contaminated products, a thorough investigation would have to be conducted, production ceased until the issues had been resolved and, in certain cases, clearance from the Ministry of Health would have to be obtained before continuing production. This would then affect the achievement of the production target, with the eventual loss of revenue. Even during breakfast and lunch operators were discussing what to expect at the end of the month, including the possibility that they would have to work at weekends in order to meet the production target. The subsequent paragraph provides some features of manufacturing operations and illustrates the significance of GMP and the production target that shaped the practices in this division.

The production area comprised the manufacturing suite 1 area, the manufacturing suite 2 area and the liquid and cream area. The buildings were constructed mainly of brick wall with epoxy paint and ceilings were usually made of gypsum board, the selection of the material and the type of machines to be used having to comply with GMP requirements based on the concept of “clean room”. The stringent requirements of GMP guidelines create a barrier into new entry as it requires substantial investment. The industry is also

known to be one of those that incur a high cost of compliance. It is subject to regular audit from the National Pharmaceutical Control Bureau (NPCB) as to its compliance with GMP, as well as an audit from the principal of the contract manufacturing business. I observed that all those who entered the production area had to wear special dirt-resistant attire, wearing head and shoe cover and a face mask. All personal belongings such as handbags and mobile phones had to be kept in the lockers located in the changing room adjacent to the entrance of the production department, according to GMP procedures for ensuring cleanliness and preventing possible contamination of the products. The movement inside the manufacturing suites was rather restricted within the work space allocated to the operators. Apart from a quick briefing before the start of a shift, the interactions among the operators in production suites were also somewhat limited. It seemed to be natural for them to just enter the space allocated to them and start to input the first item in their Batch Manufacturing Record (BMR), prepare the machine and run the production.

The work in the manufacturing plant was organised around the machines. At most, two people would handle one machine, although generally only a single person was responsible for one machine in a shift. Every machine used in the production plant was located inside a transparent room, the door of which had to be closed at all times. Outside this room, there was a folder containing information about the process, including each stage, the start time, the estimated time of completion and the estimated value of the production, as well as the name of the operator in charge. At the end of the process, this information was recorded in the BMR by the operators, who were also required to record

in a log book the events in a shift, such as the time taken at every stage of the production process. This log book had to be checked by the supervisor every day. Despite wearing a facemask, the smell of the material used to make the medicine gave me a real headache, especially in the first few days of my visit. In addition, the smell of the medicines, the sound of the machines and the air conditioner in the room sometimes made my conversation with the operators difficult.

Every batch had its own BMR to record all the activities that happened during the production process. The BMR was issued by the Quality Assurance (QA) department and had to be returned completed to QA at the end of the process for approval before products could be released to the warehouse department. Each batch for production started in the dispensing department, which, on receiving the BMR, issued a Bill of Quantity to the warehouse department requesting the material required. Ideally, the material requested should have been sent out accordingly, on receipt of the Bill of Quantity. However, the warehouse staff normally checked the amount of material held by the dispensing department: if the system showed that there was a sufficient amount of material inside the dispensing area, he would not send the materials out until the dispensing staff made a phone call to ask for the material. In his view, this was important because once the materials were in dispensing area they could be safe to use only up to seven days after being dispensed. This procedure was mutually agreed as acceptable by both departments although the failure to update the record inside the system would lead to the wrong judgment, which occasionally created disruptions to the production process in the night shift as the warehouse was open only until 6 o'clock in the evening. The updating of

information in the BMR started from this point and moved from one process to another. At each point, information had to be entered, such as the time taken for each process, the weight of the product at certain intervals and its physical appearance, thickness and hardness. The BMR had to be signed by the operator and countersigned by the supervisors in that shift. At certain intervals, such as after compression in the case of the manufacturing of tablets, the quality controller would check for dissolutions, appearance, blister packs (for tablets) etc.

## **5.6.2 The Process of the Coexistence of Stability and Change in the Manufacturing Division: The Interplay between Agencies and Subcultural Practices**

### **5.6.2.1 Altering the GMP Cultural Practices: the Agency of Finance Team**

The activities in the manufacturing plant were always driven by the production activities. The production planning was based on the orders placed by the logistic division as well as on a small percentage of orders from the sales and marketing department. Since the company had become part of the MNPharma group, its production facilities catered mostly for producing items for the logistic division.

Production activities were the key determinant of the performance of the manufacturing division, and so the focus of the divisional management was to find ways to improve the performance of these activities. The benefits of the Six Sigma project - spelled out using financial discourse (saving, cost and returns) - were argued by some organisational

members as being limited to those organisational members who participated in the project. For example, the operators did not realise that a 2%-3% spill over from a batch of a production run may cause a loss of thousands of dollars of revenue if it continued to recur. When the yield was not 100%, the production manager emailed the staff notifying them of the loss in monetary terms. By doing this, he tried to mould production practices into the realm of accounting discourse (Ahrens, 1996, 1997; Jorgensen and Messner, 2010; Miller and O'Leary, 1994; Mouritsen, 1999).

The low level of cost consciousness in the division came as a surprise to new organisational members. As reported by the finance manager who had joined this division two years previously:-

“I thought before I joined in, this is a big company. GRC and public listed companies, I thought were more cost conscious. Suddenly I found out that here it is not the case, people spend lavishly. For example, in my previous companies, if any machine broke down, the engineers would try to fix it on their own rather than send out to the supplier. Here, when there is machine breakdown, the attitude is to call the supplier. The impact is, if the people fix it themselves, they will be more responsible to use the machine to prevent it from breakdown again.”

Similar views were also shared by the senior finance manager who had been with the company for a year, and had been familiar with a culture of continuous improvements in his prior employment in Japanese companies. The very first thing that he did was to share financial information with other departments in the division.

“Before this, in the year 2007, nobody had accounts except me, the finance and admin manager and the senior GM. Quality Assurance didn't have the accounts, marketing didn't have the accounts; they didn't know the company performance but now I give all HODs (Head of Department) one set of accounts.”

## Senior Finance Manager

He not only shared financial performance in the form of formal financial reporting; he introduced the practice of disclosing selected performance figures outside the finance office. It was interesting to observe that later other departments also started to display their operational target and achievement on their own notice board. The efforts of the accountant to diffuse the financial discourse in this division were very notable to other organisational members. An example of how accounting influenced actions in engineering department was narrated by the senior finance manager:

“So he called me from Germany [an exhibition in Germany] and the Engineer told me, ‘I’ve got one machine which is very good, high tech, latest technology, and we can produce double. Changeover time is nearly zero.’ And I said, ‘So that’s good. So how much does it cost?’ ‘Only US100,000 compared to US300,000, the price of the previous machine.’ So then I told him, ‘Have you checked with them? So have you booked?’ And he told me, ‘Done.’ So I asked him, ‘Come back and we can come out with the arrangement.’”

He added:

“So the company made savings of about US200,000 for that particular machine. So now the staff understood, and when he came back he told the staff that this is how we should do it, we negotiate, we don’t simply buy, we try to get the display machine, it is cheaper and it is brand new, except it is for display.”

The accountant also realised that the organisational members were under a misconception in that, for them, all large amounts of expenditure were considered as capital expenditure. Initially he engaged a consultant to explain this notion, and also to clarify the concept of ROI and its implication for the business. He then asked the organisational members to calculate ROI before submitting the request for any purchase, after which he and his team gave personal coaching for any mistakes made. By doing this, he established accounting

as a shared practice instead one which was confined to the finance department only (Ahrens and Chapman, 2007).

#### **5.6.2.2 Putting Accounting Measures into Action: the Role of Human and Non-human Agency in the Mesh of Accounting and GMP Practices**

In the manufacturing division, the senior manager of finance and his team played a significant role as the agents to diffuse the use of accounting in the division. Based on his experience in working for Japanese companies, he brought with him some elements of Japanese practices into this company. Sharing the financial performance report, displaying the key performance target, ROI coaching and educating the engineers to look for best value equipment were among the efforts made to foster cost-consciousness behaviour. Initially, it was a manifestation of managerial intentionality (Ahrens and Chapman, 2007); accounting was pushed into the organisational order through the agency of the finance team. Later on, the interaction between accounting practices and other manufacturing practices occurred as people started to think, talk and do their work according to their understanding of accounting. The contribution of cognition in the changing organisational phenomena is hard to ignore (Schatzki, 2002): the reordering of work practices to incorporate the understanding of accounting practices, as illustrated in the case of buying the machine in the exhibition, might not have occurred had people not integrated accounting knowledge into their cognition.

Despite the concern with performance, compliance with GMP guidelines was one particular aspect of practices that could not be ignored by organisational members in the manufacturing division. It was the most important non-accounting form of control in the division as GMP procedures were incorporated in every aspect of the production process, including the type of equipment as well as the type of roofing and flooring of the factory building. In fact, the GMP practices were viewed by the organisational members as a kind of branding which distinguished them from their peers within the company:

“We have a target to achieve and GMP practices to comply with. Both are tough but these make us different from others in the group.”

Senior Executive 3

Although GMP practices were the basis of their continuous existence, obtaining compliance from organisational members was not an easy task. Ensuring all doors were closed at all times was one such instance of compliance in order to safeguard a temperature inside the production room within the acceptable range. To make certain that every work in process item was properly stored in the appropriate place was another instance. At meetings about the status of production, the performance target and GMP were seen to compete for their fair space - conducted every morning and usually chaired by the production manager, all department heads or their representatives would exchange information about what had occurred with the production process and schedules. Previously the meeting had been conducted weekly, but they had since changed the practice to taking place each day in response to the values promoted by TOPIC, i.e. to encourage teamwork and open communication.

Although accounting discourse was regarded as equally important as GMP discourse by the organisational members, in the production meeting it was more prominent than GMP

discourse. The understanding that GMP was being incorporated within the standard operating procedures was apparent from their interaction in the meeting. As long as the organisational members followed the procedures, no question about GMP should arise. The discussion about GMP only become prevalent when there was an incident of contamination or out of range product quality testing. Then GMP practices would become a matter of concern because the Quality Assurance department would not release the product and this would affect the sales target.

There was one such incident when a strange material was noted inside a tablet from a particular batch of production. The QA manager was reluctant to release the whole batch, as well as the production of other batches, until the production team completed the requirement in CAPA<sup>10</sup>. To complete CAPA usually requires a team to investigate the reason underlying the incident and to provide the necessary supporting documents of corrective action taken, as well as to prepare for preventive actions. This matter affected the production schedule for weeks and GMP discourse shaped most of the interactions among organisational members during this period. In this instance, the understanding of accounting directed the attention of the organisational members towards modifying the production schedule by producing other types of products. For example, instead of producing product A, which was pending investigation, they decided to produce product B of the same sales value, and urged cooperation from the logistic and marketing departments to sell the products. Since the logistic division had limited ability to persuade the government hospital to order products beyond their budget, the responsibility to find a market for such ad-hoc production was usually assumed by the sales and marketing

---

<sup>10</sup> CAPA is a term commonly used in manufacturing environment to refer to Corrective Action Preventive Action

department. In a subsequent meeting, a senior manager from sales and marketing expressed concern that his department had to find a market for products that were not in demand. However, because he shared the KPIs for the sales target, the marketing department had to find ways to sell the products. This usually required creative input from the marketing department, such as increasing the sales incentive to the sales personnel or selling the product at a relatively lower price than that of their competitor. Accordingly, their response to the demand from the production department was consistent with the TOPIC principles of teamwork and passion of excellence.

The organisational structure which placed the sales and marketing department within the manufacturing division gave more advantage to the production department to influence sales and marketing activities. Using accounting discourse such as profit margin, ROI, break even point or product profitability analysis, sales and marketing activities were gradually transformed in response to the change of actions from the production department. Eventually, accounting discourses meshed with the work practices of the sales personnel. During their sales visits to the customers, they brought with them the statements of customer accounts, and would explain to the customers the details of the statements and collect payment from them. It was a common practice for sales representatives to encourage customers not to settle their account in full in order to give a reason for their next visit. This was consistent with the sales practices which linked the number of customer contacts with the amount of sales (Dambrin et al., 2007).

This ad-hoc production, however, was only a temporary measure, as other possible actions were again offered by accounting. Figures showed, for instance, how much loss had been suffered in terms of sales of a particular item, machine productivity and changes in the time cycle and general overhead costs. This then prompted the management to think of the necessary action to ensure the problem was properly corrected and prevented. A more demanding supervisory role was expected and reviewing the standard operating procedures was suggested as part of the action to ensure the whole chain of the production process was truly GMP compliant.

The case of the manufacturing division depicts the role of human and non-human agencies in bringing about the mesh between accounting and other manufacturing practices, thus inducing change and stability in the division. The embedding of accounting into manufacturing practices was achieved through the agency of both humans and non-humans. The bodily doings and sayings in the manufacturing division were organised around quantitative measures and compliance with GMP guidelines and made visible to everyone in the organisation through various forms of documentation such as standard operating procedures, the BMR document and log books. The work in the production plant, for instance, not only involved following the procedures of turning raw materials into medicine, but also, within this process, mobilised various forms of measurement relating to the achievement of the production target. Activities such as updating the log book to measure every step taken in the process, weighing, displaying what activities were taking place in the production room, and listing the operators and the estimated times taken in that process, all reflected the use of quantitative measurement

and the relationships between the practices and the arrangements in the manufacturing division. When accounting practices were introduced into the GMP practices, therefore, they were familiar to the organisational members in the manufacturing division. The existing bodily doings and sayings in the division prefigured the unproblematic embedding of accounting into manufacturing practices.

Production meetings and production planning reports were the arrangements through which accounting meshed with other organisational practices; they constituted non-human agency in the manufacturing division. The production meeting was the platform for the organisational members from various departments to connect their efforts in order to achieve the division's target. At the same time, it was also the context through which GMP practices shaped accounting practices and vice-versa. How much to produce in a month, the product mix, where to procure the materials, stockholding costs and human resource requirements were all elements discussed during these meetings. For instance, the achievement of the daily target was assessed, while a deviation would trigger an immediate response from various departments, including QC, to speed up their testing; overtime might be necessary; the engineering department would have to ensure the machines were ready to work extra hours; the procurement department should ensure sufficient materials; the warehouse department would have to provide suitable space to store alternative products; and HR should observe possible violation of any rules or employees' rights.

The arrangements in the manufacturing division were reordered through the actions performed by the human and non-human components of its practices-arrangements meshes. The reordering occurred when accounting became part of the entities in the practices-arrangements meshes of the division. The organisational members in this division regarded their reputation as a GMP company as the source of their excellence, without which their existence was threatened. However, to claim status as a GMP company of excellence, it had to demonstrate excellent performance, and this was collectively agreed by the organisational members as the achievement of a higher production target. With this as the specific aim of the production practice, the most sensible way to approach the work was to subscribe to the accounting practices through which the various activities that would lead to the attainment of this end became visible and quantifiable. This altered the way things were carried out in the manufacturing division. The consideration of ROI before purchasing equipment and buying exhibition equipment to achieve value for money both exemplified how the mesh between accounting and engineering practices induced change in manufacturing practices. The alteration of some components of manufacturing practices due to the embedment of accounting with other activities on the manufacturing floor was followed by a chain of actions that resulted in the maintenance of GMP practices as well as providing a new meaning and identity of GMP practices to the organisational members.

## **5.7 Discussion**

### **5.7.1 Meaning and Practices**

According to Schatzki (2002), “[...] the meanings of the entities amid and through which humans coexistently live derive from activity” (p.56). Knowledge, he argued, is, to certain extent, no longer the property of the individual but instead the feature of group together with material arrangements (Schatzki, 2001).

Unlike that of other privatised utilities, the MD argued that this organisation had never been a public sector organisation. However, the fact that the employees of the then government agency were absorbed by this establishment should not be forgotten. As an organisation, it had not only taken over the activities but also the workforce of the then government agency. The workforce brought with them experience, knowledge, socialisation, their conception of what constituted warehouse practices in the pharmaceutical industry and their notion of public accountability. As the carrier of the practice, their personal properties shaped the day-to-day practices in the warehouse department. Additionally, this organisation had to observe conditions of the concession agreement, such as to maintain three months’ buffer stocks and to deliver the products to hospitals and clinics within stipulated times. All these factors shaped the bodily doings and sayings in the warehouse department.

In the warehouse department, the day-to-day activities revolved around the storage and delivery of pharmaceutical products which were priorities to its members. The picking and packing practices were the crucial bodily doings that contributed to the speed of delivery. The company was a concessionaire with the right to distribute about 50% (in term of SKUs) of pharmaceutical items to government hospitals and clinics, so the well-being of the general public depended to a certain extent on its performance. This was the general understanding that determined the picking, packing, storage and delivery practices in the warehouse department. To the organisational members, the meaning of these practices was not limited to merely completing the task; it was also linked to the notion of public accountability or, in the words of the picker, “sometimes it is a matter of life or death, we have to deliver fast.”

The organisational members in the manufacturing division were made proud by their status as a GMP company, which influenced what they did around the manufacturing site. GMP status led them to label themselves as different from their peers in other divisions in the organisation. Compliance with GMP was not only significant as a source of the understandings, rules and aims of manufacturing practices but, importantly, it determined the continuous existence of the manufacturing plant, since failure to comply simply meant the plant would have had to cease operation. The day-to-day activities in the manufacturing division focused both on the production of pharmaceutical items and on the strict compliance to GMP guidelines. Participation in the production practices of pharmaceutical items therefore meant that every aspect of the production process was GMP compliant, and that organisational members in the division enjoyed an identity as a contributor to the achievement of GMP status. Their obsession with GMP status led them

to use GMP practices as the reason for everything they did around the division, although sometimes they were used as an excuse to make their actions intelligible. As a result, new organisational members noted the lack of cost consciousness behaviour in this division. By using the compliance with GMP as an excuse, engineering people, for instance, tended to spend on expensive equipment even though they could procure cheaper equipment with equivalent functions from a less known brand.

The meaning that organisational members placed on their activities therefore arose from participation in a practice (Schatzki, 2002). For example, dealing with the distribution of pharmaceutical items to the government hospitals and clinics has to be understood within the understandings, rules and teleo-affective structures of concession business. Similarly, taking part in the production of pharmaceutical items has to be understood in the context of GMP practices where every aspect of the production was conducted within the understandings, rules and range of aims of these practices.

An organisation typically consists of distinct groups in which each group usually shares similar understandings and observes similar rules and range of aims. These groups are exemplified by work clusters based on occupational communities, hierarchical position or geographical location. The present study has highlighted the bodily doings and sayings in the two divisions of the organisation which symbolised the organisational member's identity in the work place and the meaning they placed on their activities. Even within the same department, the case of the warehouse department depicts two distinct subcultural practices. For example, their different responses to the accounting measures were the

outcome of the cultural practices of the teams. In the government team, the picking and packing practices, for instance, were done at least in pairs to minimise error. Further, when the management introduced the standardised form to measure the number of items picked and packed, there was no buy in from the government team, partly due to the fact that there was less pressure to be seen the best among the team. Nevertheless, working in pairs introduced social control, since a single member would not want to upset his colleague with his performance. The government group also consisted of elderly staff who found it difficult to accept changes brought in by younger staff: “[...] they did not even know how we started the business!” This also explains why the agency of the government team supervisor failed to change the way things were done on the warehouse floor. On the other hand, in the private team, the standardised form and log book were well received by its members. As they dealt with a small volume of stock, the pickers and packers worked on an individual basis, so when their management introduced the standardised form and log book, these measures were well accepted as a mechanism to make the individual performance visible to the team.

Practices are the sources of meaning, i.e. “what something is”, and identity, i.e. “who someone is” (Schatzki, 2002, p. 47). The bodily doings and sayings that form a practice are therefore the sources of cultural influence in an organisation as they symbolise the meaning of what and why certain bodily doings and sayings are right, wrong or risky. Furthermore, there is rarely a unified meaning of the same activities in an organisation (Martin and Siehl, 1983). The same activities may carry different meaning dependent on the membership of the subculture. For example, the standardised form and log book

carried meaning and identity as an organisational control system in the private team, whereas in the government team they were not regarded in the same way, as control was provided by the social control system. For this reason, the notion of cultural practices does not only relate to what people do or to their agencies; it also reflects the relationship between agencies and the mesh of practices and orders that prefigures the agencies in a specific context.

### **5.7.2 Stability and Change as Subcultural Practices**

The warehouse department dealt with the finished pharmaceutical items, therefore the embedment of quantitative measures was restricted to the organisation of work in dealing with the storing and delivering of products. Except for the recording of the number of items picked and packed in the private team, the accounting discourse did not really penetrate individual activities. The only document that connected the efforts of everyone on the warehouse floor was the pick list, or delivery order, which specified only the items and their location. As the case has noted, the KOPI report which measured the warehouse performance was restricted to the consumption of the warehouse management and the preparers of the report. The use of the standardised form to record the number of items picked and packed and the log book was only prevalent in the private team, while in the government team there was no buy in. The agencies of the former warehouse manager altered the ordering of the warehouse floor, thus diffusing the concept of cost minimisation via the correct location of the stocks and the increased productivity through shared responsibility. The reordering of the stock location, the shift of work from

functional basis to shared responsibility and the use of log book in the private team altered the understandings, rules and arrangements on the warehouse floor; nevertheless, these alterations did not change the end of the warehouse practices, i.e. to deliver the stocks within the stipulated time and maintain sufficient stocks. Accounting practices and warehouse practices were therefore more or less stable.

The case of the warehouse department provided a contrast between the management of the warehouse under the current management team and that of the previous manager, and its effect on the stability and change of accounting and warehouse practices. This contrast arose as a result of the relationship between agencies and practices. The case shows the role of human agencies, such as the former warehouse manager and executive in the private team, as well as the role of non-human agencies such as TOPIC discourses and the log book which altered the way things were done in the warehouse department. The extant practices, however, were not the passive recipient of the human and non-human agencies; they also prefigured agencies. The existing bodily doings that formed the warehouse practices symbolised the importance of delivery of services to the public, yet such bodily doings and sayings also typically reflected less concern over the cost of doing business, i.e. the norms in public sector cultural practices (Dent, 1991; Ogden, 1995). The cultural practices made the agencies of the former manager in transforming the warehouse practices from a functional base to one that was more co-operative not an easy endeavour. When he left, the new management team drew on TOPIC, a significant discourse during that time that shaped the practical understandings of doing jobs on the warehouse floor. The reliance of the new management of the warehouse on TOPIC

demonstrated that practical understandings could change as a result of the changes in the mesh of practices and orders. Importantly, it showed how the agencies of TOPIC that encouraged teamwork and cooperation were well accepted as it bore similarity with the extant cultural practices in the warehouse department following the doings of the former warehouse manager.

Unlike the logistic division, quantitative measures significantly influenced the work on the manufacturing floor. Individual operators were involved in recording the measurement of the weight, thickness, hardness, yield and physical appearance of the products. The sales target of the day was displayed on the electronic board at the entrance of the production department as well as in the canteen, to create awareness and to shape the thinking of the organisational members. The BMR (Batch Manufacturing Record) that contained the mesh of accounting measurement and GMP guidelines was transferred from department to department within the manufacturing division, enrolling the efforts of organisational members towards the divisional objectives. Accounting was not peculiar to the manufacturing division, and so presented less of a problem in embedding it into manufacturing practices than in the warehouse department.

In the manufacturing division the meaning of everyday activities was shaped by the meshing of GMP practices and accounting discourses. GMP reflected the practical understanding and the rules that had to be followed in order to remain in the business of manufacturing pharmaceutical products, while accounting was the general understandings that shaped the thought, talks and bodily doings and sayings in the manufacturing

division. Through the agency of the finance team, accounting discourses shaped the manufacturing practices by influencing the thinking, talking and doing of the organisational members, as illustrated in the use of ROI in purchasing decisions and the extensive reference to accounting measurement in production meetings. The language of accounting would give guidance on when to dispense material, where to procure the raw materials and which products were less or more desirable. Nevertheless, the way in which such financial discourses as setting targets, cost cutting and making savings was utilised is a reflection of GMP cultural practices. For instance, the act of the engineer to purchase equipment during the exhibition to minimise cost, was an outcome of his understanding of GMP practices, where all equipment bought must comply with GMP specification. GMP was no longer interpreted as compliance at whatever cost; it was linked with accounting in order to meet the targeted cost and profit. Contrary to the assertions of Siti Nabihah and Scapens (2005), accounting in this case was coupled with everyday practices, as organisational members discovered that this could help them towards the achievement of their organisational goal. The characteristics of accounting that provide a means to justify actions and make accountability visible contributed both to the stability of GMP practices and to the changes in accounting practices in the manufacturing division. The mesh of accounting and GMP practices provided a new meaning of GMP to the organisational members. The diffusion of accounting discourses in everyday practices in the manufacturing division altered the aim of GMP practices to the achievement of both bottom line and compliance to GMP guidelines. Nevertheless, the alteration of understanding and teleo-affective structure as a result of the diffusion of accounting discourse left the GMP practices intact. The case of the manufacturing division thus

depicts the situation of accounting practices as more or less changing, while GMP practices were more or less stable.

Both cases highlighted the relationship between agency and practices. The human and non-human agencies brought about changes to the warehouse and manufacturing practices by altering the way work was organised. This was illustrated by the role of human agencies, such as the former warehouse managers in the logistic division and the finance team in the manufacturing division, as well as non-human agency which included the introduction of TOPIC values and the log book in the warehouse department, and production meetings and accounting discourse in the manufacturing division. It is important to note that these agencies not only shaped practices, but, simultaneously, the practices also prefigured the agencies. It is in the continuous interplay between agencies and practices that stability and change coexists in an organisation. For example, in the warehouse department, the bodily doings and sayings that related to the services to the public embedded in its extant practices prefigured the actions that were acceptable in the warehouse practices. The concern of the former warehouse manager with stock accuracy in order to speed up the picking process, and his promotion of shared responsibility, both invited dissatisfaction among warehouse staff. This was because his agencies were not consistent with the subculture embedded in the extant practices that gave less priority to cost and to work based on restricted job scope. "It doesn't matter where the stocks are located as long as someone knows where to locate them" was the understanding introduced by the new management who relied on TOPIC values. This understanding seemed to be integrated with the extant cultural practices in the warehouse department that had been transformed

following the agencies of the former warehouse manager. Similarly, the case of the manufacturing division has shown us how GMP culture prefigured what kind of doings or agencies were acceptable in the production practices. The reluctance of the Quality Assurance department to release the product before CAPA was conducted is illustrative of this point. Despite the losses suggested by accounting discourse, the GMP culture determined what actions were acceptable and what were not.

The difference in the degree of embedment of accounting in both divisions of the organisation is argued to be associated with the role of human and non-human agency and the cultural practices in these divisions. The case has illustrated the difference in the nature of the work in the divisions, the material arrangements, the personal background of human agents, their socialisation at the operational floor, and the thinking and talking that shaped the bodily doings and sayings in the organisation. These bodily doings and sayings symbolise what something is and who someone is in an organisation. Importantly, the case has shown that the mesh of practices and orders are not static; rather it is continuously subjected to alterations which enable stability and change to coexist in an organisation.

## **5.8 Conclusion**

This study was motivated by the notion that change and stability coexists in an organisation. Drawing on the practice theory of Schatzki (2002), it suggests that stability and change coexists as a result of the interplay between agency and subcultural practices.

The present study adds to our knowledge on change and stability from two perspectives. Firstly, it demonstrates the role of agencies in bringing about the mesh of accounting and other organisational practices, a mesh which no doubt has been studied extensively in the past (e.g. Ahrens, 1996, Dent, 1991, Jorgensen and Messner, 2010; Mouritsen, 1999; Roberts, 1990); the present study, however, is illustrative of the process of the meshes.

Often in managing change an organisation focuses on devising a strategy to control the activities of humans, but it has been argued that non-humans similarly have the potential to make a difference in the change process. The studies of Chua (1995), Preston et al. (1992) and Gendron et al. (2007), for example, were illustrative of the role of human and non-human agents in influencing change and stability of accounting practices. The present study seeks to add to the existing literature on stability and change by looking at the role of agency in bringing about their coexistence. The purpose of the study, therefore, is not to illustrate whether accounting in this organisation was either changing or stabilising; rather the aim is to show how change and stability are continuously in the making and coexists in an organisation. In both cases, stability and change were observed to have occurred simultaneously; stability was a function of sameness and similarity in understandings, rules and teleo-affective structures. For example, it can be argued that the embedment of accounting discourse in manufacturing practices does not entail the expiry of GMP practices; rather the mesh of accounting and GMP practices allows the continuation of similar understandings, rules and teleo-affective structures, i.e. GMP practices remain the understandings and rules that have to be followed and the

range of intentions, such as the aim to produce safe products or to increase the sales to private market, remain intact. The meshes of accounting and GMP practices provided a new meaning of what GMP practices were to organisational members in the manufacturing division, thus illustrating the process of the making of stability in the era of change in accounting practices.

Secondly, the present study is concerned with understanding accounting practices from a cultural perspective, often neglected in the study of stability and change. Rather than focusing on either change or stability, this study adds to Dent (1991) and Ahrens and Mollona (2007) by illustrating the role of culture in influencing the coexistence of stability and change. This study suggests that culture resides in practices, i.e. bodily doings and sayings that form a practice symbolise what something is and who someone is, and by what agencies are acceptable and what are not. The study has illustrated how cultural practice plays an important role to prefigure the agencies. The bodily doings and sayings embedded in a practice are indicative of the norms, myths, beliefs and priorities in a situated context. In the beginning, the practices in the warehouse department symbolised the public service culture that gave prominence to the delivery of services of public goods and that was less concerned over the cost of doing the business. Through the agencies of the former warehouse manager and TOPIC discourse, the practices gradually changed and came to symbolise new meanings such as teamwork and cooperation. On the other hand, in the manufacturing division the culture was dominated by GMP practices, the understandings, rules and teleo-affective structures that had to be observed on the production site. Through the agency of the finance team in promoting the diffusion

of accounting in the manufacturing division, the GMP culture was transformed into achieving both bottom line and compliance to GMP practices. The cultural practices were subjected to on-going alterations which enabled organisational change and stability to coexist. This study therefore argues the coexistence of change and stability as a result of the on-going interplay between agency and cultural practices.

## Chapter 6

### **Key Performance Indicators and the Process of Goal Alignment: Exploring the Role of Accounting in the Organisational Control Mix**

#### **6.1 Introduction**

Studying performance management has been of central interest of management accounting scholars. Their line of enquiry on performance management includes many facets of the perceived usefulness, consequences and uses of performance measurement in organisations. One of the roles of performance measurement that has been discussed quite extensively and still relevant in accounting literature is its use in promoting goal alignment (Busco et al., 2008; Dossi and Patelli, 2008; Frow et al., 2005; Jorgensen and Messner, 2010; Heldon, Meer-Kooistra and Scapens, 2001; Kirk and Mouritsen, 1996; Macintosh and Daft, 1987; Miller and O’Leary, 1994; Mouritsen, 1999; Roberts, 1990). Essentially, goal alignment is an important aspect of the uses of performance measurement that many performance measurement frameworks claim to promote. The Balanced Scorecard (BSC), for example, has been widely advertised for its capacity to align organisational strategy with operational actions.

Although it is true that organisational goals are emergent (Mohr, 1973, Mintzberg, 1994) and sometimes contradictory, this does not change the fact that an organisation possesses core elements that form the basis of its existence. For instance, the purpose of an educational institution is to provide learning, the objective of a railway company is to

provide transportation services, while a bank aims to lend and make money. In the long term, these elements anchor the continuity of the practices in an organisation. This continuity allows the organisation's members to focus on improving organisational practices such as managing its internal affairs, strengthening its appearance in the market or serving its customers in different ways. For this reason, goal alignment is seen as an important ingredient in the realisation of the organisational objectives.

One of the initial steps towards understanding the use of performance measurement in creating goal alignment is to acknowledge the interdependence of the practices in an organisation. Managing the interdependence between business units is crucial in ensuring that each business unit is fairly assessed (Heldon, Meer-Kooistra and Scapens, 2001). The interdependencies and alignment between sub-processes are also a pre-condition for the success of the '*plant with a future*' discussed by Miller and O'Leary (1994). Similarly, Macintosh and Daft (1987) emphasise the lateral relationship in an organisation as it reflects workflow, coordination and feedback required among the departments. This fact is also supported by Chapman (1998).

Organisational interdependence is construed as part of the mesh of practices and orders where human coexistence takes place amid the arrangements of human beings and other phenomena (Schatzki, 2002). This has implications for the study of accounting practices as accounting is not the sole control system that exists in an organisation. It usually forms part of the mix (Abernethy and Chua, 1996) of the wider organisational control system. Understanding the role of accounting as part of the organisational control mix (Abernethy

and Chua, 1996; Ahrens and Chapman, 2007; Ahrens and Mollona, 2007) in promoting goal alignment involves managing the interdependence of accounting with other elements constituted in the control mix.

Understanding the relation of accounting and other control systems is the key aspect that could illuminate the way in which accounting is implicated in the practice of goal alignment. The focus of the investigation therefore considers the various ways in which accounting discourses and practices create spaces in the organisational control system. Thus far extant studies have revealed that the insertion of accounting as part of the organisational control mix occurred through the role of practitioners who make strategic choices (Abernethy and Chua, 1996; Ahrens and Chapman, 2007; Jorgensen and Messner, 2010) in mobilising accounting with other control systems. In these studies accounting becomes powerful as a control system when it is meshed and ordered as a complementary or supplementary control to other control systems. Such meshing and ordering occurs partly as a result of the activities of the practitioners in articulating the importance of accounting in making performance visible.

Articulation is said to have the potential to make knowledge more explicit, and to encourage learning, innovation and control (Hakanson, 2007). Through articulation, accounting practices are diffused, shape and are shaped by other control systems. Articulation, however, is not restricted to talk but also occurs in written forms such as documents, procedures, programmes or projects. The power of articulation rests primarily on its ability to engage everyone in a specific locale in similar insights and beliefs. For

example, through the series of talks within the training programme of new recruits of Salomon Brothers in Liar's Poker (Lewis, 1989), the personalities, the expertise and practices of the mortgage traders in 'Level 41' were articulated as the most important criteria that made them the most successful mortgage traders in the Wall Street during that period.

The present study illustrates the constitutive role of accounting in the process of goal alignment. Accounting control influences the existence and operation of other forms of organisational control systems, and also the importance of accounting becomes more explicit through the functioning of other control systems. It is in this way that accounting is implicated in the process of goal alignment by Miller and O'Leary (1994) and Roberts (1990).

As such, the present study resonates to a large extent with Roberts (1990) and Miller and O'Leary (1994) in highlighting how the process of goal alignment works in an organisation. However, it differs from them in terms of its specific attempt to understand the interdependence between the practices of accounting and other forms of control system in the process of goal alignment. Unlike Abernethy and Chua (1996), who depict the image of accounting as less powerful in the organisational control mix, the present study shows instead that accounting is a powerful control that changes the organisational practices and orders. It is illustrative of the ordering of the organisational control mix as an emergent process rather than focusing on the factors that contribute to the design of

organisational control mix as a rational process, as illustrated by Abernethy and Chua (1996).

An ethnographic study of a pharmaceutical organisation sets the empirical context of this study. At the time of the study the organisation was facing issues that strained the interdependence of its two divisions. To this end, Key Performance Indicators (KPIs) have been adopted as the technology to manage the interdependence and to promote goal alignment in the organisation. Like other accounting tools embedded in the design of KPIs, they aim to translate the activities of the organisation into quantitative measurement and to connect the organisational strategies with diverse operational activities. However, to be influential such design is not sufficient in creating goal alignment. It therefore requires the mobilisation of other forms of organisational control to complement the role of accounting, especially in terms of providing narratives to enable the sense-making process in an organisation. As such, the context of this study offers an opportunity to seek answers to my research question: in what ways are KPIs implicated in the process of goal alignment?

The organisation of this paper is as follows: the next section describes the theoretical framework underpinning this study, and is followed by reviews of the relevant literature in performance management, and the study context. After that, the empirical findings illustrate how KPIs as part of the organisational control mix are mobilised in the process of goal alignment. In this study, the organisational control mix represents both accounting and non-accounting type of control systems that existed in the organisation. Specifically,

this study focuses on the interplay between accounting control system and two other control systems i.e management programme TOPIC and organisational structure, all of which represent the organisational control mix in the organisation. Finally, conclusions are drawn from these findings.

## **6.2 Theoretical Framework and Literature Reviews**

### **6.2.1 Practice Theory Perspective of Understanding Goal Alignment**

An organisation comprises a network of diverse practices: information technology practices, auditing practices, human resources practices and many others. Traditionally such practices have been grouped according to organisational functions, but the complexities of contemporary organisations may result in them being performed in various departments within an organisation. Practices in an organisation may “overlap” or “interact” (Schatzki, 2002, p.155): Practices overlap through common organisational elements (rules, ends, projects); by way of “doings and sayings” belonging to multiple practices; causal chains between one practice and another; and through “intentional” relation, as when people think, believe and feel something about another practice, order or component thereof (ibid. p.44”).

Practices interact when there is a chain that contains actions from both practices. For example, an action chain that links budgetary practices with human resources practices encompasses actions such as updating the list of new employees in the payroll system,

updating the monthly expenditure of employee training, or updating the record of employees who receive bonuses. Based on Schatzki (2002), these chains are mediated by technological arrangements: for instance, when a human resources system updates employee status in the payroll system, this would be automatically transferred to the financial accounting system for the purpose of calculating monthly salary; or when a human resource department updates training programme expenditure, this is then captured by the financial accounting system by debiting appropriate expense accounts. In this sense, when practices interact so as to sustain one another, they “cohere” (Schatzki, 2002, p. 170). As practices in one division may affect practices in others through overlapping and interaction, an understanding of their relationship is crucial as a platform to align the departmental or divisional objectives with broad organisational objectives.

In an organisation, goal alignment is a process to bring together diverse intentionality of the organisational members towards common objectives. In a context that is characterised by a high degree of interdependence, aligning the goals of the divisions and departments with the overall goals could be the most difficult task.

According to Schatzki (2002), the concept of interdependence should be distinguished from order. Interdependence, in his view, is not equivalent to order because of the absence of the degree of regularity, pattern or harmonious functioning (p.9) that order should possess. He describes interdependence as fairly coordinated actions that form part of the order, defined as the arrangements, i.e “hanging together”, of humans, artifacts,

organisms and objects; the existence of “nexus”, in which these entities possess meaning and identity (p.180).

However, order is not the sole determinant of social reality. According to Schatzki’s account, social reality is construed as a mesh of practices and orders, and human lives transpire as part of bundles of practices- arrangements. A practice is simply an organised human activity characterised by rules, understandings and a teleo-affective structure. These three phenomena are not the properties of individuals and their relations, as might be argued by proponents of individualism, and they do not represent the collection of individual properties as advocates of society might claim (Schatzki, 2005).

Rules can be defined as explicit sets of laws that govern what one has to observe as the participant of a practice; understanding implies the state of knowing how to deliver the activities that are usually carried out in a practice; and a teleo-affective structure is a set of aims, intentions and projects that a particular practice aspires to achieve.

The practices-arrangements bundles are intrinsically intertwined and to a certain extent the boundaries between them are quite blurred. According to Schatzki (2002, p.87; emphasis in original):

“The distinctiveness of different practices lies in the distinctiveness of the *package* of doings and sayings plus organization that each is: a particular set of doings and sayings expressing a particular array of cross-referencing and interconnected abilities, rules, teleoaffectivities, and understandings. This implies that *which* practices exist in social life is the empirical issue of which such packages factually subsist there”.

The complexities of task environments denote the potential of high interdependencies between organisational subunits (Thompson, 1967). The achievement of organisational goals is a function of the mesh of practices and orders that transpires through the stability of the network of interdependence. When a mesh of practice-arrangement intertwines with other practice-arrangement, they may cohere or compete. They cohere if the practices sustain; if they compete some old practices may fall apart as a result and new practices emerge.

The process of goal alignment between two divisions and a department in an organisation is the focus of the present study. The implementation of KPIs is seen as a tool to align the complexities and intentionality of these divisions and the department. Intentionality, according to Schatzki (2002), occurs when people perform actions with thought, desire, emotions and belief, directed towards objects, and they can be considered as standing in an “intentional” relation to this object (p.44).

KPIs form part of the various entities in the organisational meshes of practices and orders. The identity and meaning that organisational members attribute to accounting is a reflection of how they perceive these. In this study, KPIs not only form part of the package of organisational control, they also a discourse that shapes the doings and sayings in the organisation. As the case will illustrate, it is a discourse that works hand in hand with other forms of control system within the organisation, i.e. the management programme TOPIC and the change in the organisational structure.

### **6.2.2 Studies on Performance Management**

The very basic problem that often draws the attention of management towards goal alignment is that of aligning the objectives of the organisational members with the broad objectives of the organisation. Further, the fact that most organisations are typically characterised by the interdependence of diverse practices is the key factor that places goal alignment high on the agenda of an organisation.

According to Thompson (1967), there are three types of interdependence that may occur in an organisation: pooled, sequential and reciprocal. The organisation is said to have pooled interdependence when there is little workflow between departments. This usually occurs in an organisation in which departments are designed to operate independently from each other or which serve different geographical locations such as franchise stores. Sequential interdependence takes place when the relationship between departments is a linear arrangement: for example, the work completed in a department may be the input to a subsequent department. This type of interdependence frequently happens in the manufacturing environment and requires more control to be in place than with the pooled type of interdependence. Another type of interdependence is called reciprocal interdependence. This is the highest degree of interdependence where the relationship is not sequential but involves shared practices between the departments. This type of interdependence is usually noted in the environment where output is tailored to the specific requirements of customers (as, for instance, in the case of flexible firms) described by Mouritsen (1999).

Drawing on Thompson's classification of departmental interdependence (1967), Macintosh and Daft (1987) argue that the stronger the degree of interdependence between departments, the more an organisation has to rely on a broad control framework which includes both accounting and social control. For example, in the case of Meer-Kooistra and Scapens (2008), to align the goal of five business units in the organisation, the reward of the managers in these units is based on the performance of the organisation as a whole rather than on the financial performance of individual business units. Further, the management of the overall company is the joint responsibility of these business unit managers. The struggle to co-ordinate the internal transactions and performance measurement of each business unit, observed by Helden et al. (2001), illustrates similar issues of aligning the business units' intentionality with the overall intentions of the organisation. The case shows how accounting as part of the overall package of the management control system eases the complexity of managing an integrated company, yet complicates the process of measuring the performance of each business unit.

Though goal alignment is a manifestation of managerial intent (Ahrens and Chapman, 2007), the achievement of goal alignment is essentially an important effect of the lateral relationship within an organisation. The spatial reordering of a manufacturing floor, described by Miller and O'Leary (1994), is a notable example of how accounting measurement was used in order to align the various complex processes and diverse practices in an advanced manufacturing environment. It happened when Caterpillar replaced the spatial arrangement of its factory floor from a functional arrangement to a

product or sub-product cell in sequential manufacturing activities. Workers, machine and material flow were reorganised according to these cells. Accounting measurement then made the factory layout into a calculable arrangement by consolidating the cells into a set of investment bundles. These investment bundles were opened for performance evaluation - for instance, in terms of their contributions to overall production cost. The importance of lateral relationship was depicted by the notion that each investment bundle is the customer to the other investment bundle.

Miller and O'Leary (1994) suggest that the process of aligning America's goal to curb competition from Japanese manufacturing companies with Caterpillar's specific concern on its cost structure was made to work through successive programmes of management control systems such as Plant With A Future (PWAF). The design of the PWAF (for example, the Assembly Highway) as a form of spatial control of plant activities was largely shaped by the accounting language of cost reduction and return on investment, yet the potential of cost containment intention of Caterpillar was made possible through the functioning of the PWAF.

This study by Miller and O'Leary is notable in showing how an organisation designs its organisational control mix. It thus bears similarity with the aim of Abernethy and Chua (1996). Unlike Miller and O'Leary who point out the potential of accounting to be influential through the design of organisational control mix, and therefore depict how accounting works in complementary ways with other control system, Abernethy and Chua's study argues that non-accounting control can substitute accounting control in an

organisation. As such, both these studies are illustrative of the conditions that allow accounting to fit into the nexus of organisational control rather than looking at how the practice of accounting and non-accounting control relates to the process of goal alignment.

Instead of focusing on the design and potential functioning of accounting as part of the organisational control mix, Roberts (1990) explains the practice of accounting and its relation with other forms of organisational control. His case study is exemplary as it helps us to gain understanding of how performance measurement moulds the interest of functional managers towards a common goal despite the respective managers' awareness that the measures are a threat to their survival. Roberts describes how the conference method provided the context for reciprocal interdependence and shared accountabilities between units and functions in the division. He reports that participation at the annual conference required the organisational members to present a proposal that was viewed by other participants as a 'credible story'. To create a credible story, the organisational members had to incorporate the needs of other functions and to portray a sense of general understandings of how their function relates to other functions. The conference also was a platform where organisational meaning was created, shared and negotiated. The face-to-face encounters helped to articulate the importance of accounting measures and create the sense of hierarchical accountability to the management of ELB.

The role of articulation in making the importance of accounting visible has been widely noted in management accounting literature. Ahrens (1997), for example, illustrates how

the intertwining of accounting with other organisational knowledge through talk offers opportunity to understand the functioning of accounting in an organisation. This is because through talk the tensions, ambiguities and the effects of accounting on the organisational ordering and vice-versa are articulated. Similarly, Kirk and Mouritsen (1996) direct our attention to the role of talk in giving prominence to accounting in the process of goal alignment. Through quarterly accountability sessions, Danco (the head quarters) was talking accounting by emphasising the similarities between subsidiaries in order to apply standardised performance measurement criteria across the subsidiaries. On the other hand, Gendron et al. (2007) report in their case study that text played the main role in articulating why government auditors should be given responsibility in auditing the performance of the government: the claim of expertise was articulated through various documented guidelines and the statement of recommendations in the auditor's annual reports. As in other studies based on Actor Network Theory, they have enriched our understanding of the alignment process through problematisation of the role of actors and actants in the heterogeneous network of the studied context (Briers and Chua, 2001; Chua, 1995; Miller, 1991; Preston et al. 1992).

In summary, the idea of goal alignment has been discussed quite extensively in management accounting literature. In the process of goal alignment, accounting seems not to work in isolation. In the literatures reviewed above, accounting is implicated in the process of goal alignment as both the condition and effect of its relation with other control systems. Further, the power of accounting is partly derived from the role of articulation. Nevertheless, in most of these studies the relation of accounting and other

forms of control system in the process of goal alignment is discussed only up to the process of making the alignment possible. The present study therefore seeks to expand this knowledge by teasing out how the practice of accounting control systems relates with other forms of organisational control in the process of goal alignment.

### **6.3 The Organisation's Performance Management System**

#### **6.3.1 The PEPSI**

The board of directors first expressed concern over the method of evaluating the performance of the business units in 2003 when the chairman requested the management to review the progress, using Balanced Scorecard (BSC), of an action plan introduced earlier that year. Within two years, the implementation of BSC had reached the level of presentation of the group performance to the board.

In 2005, the government announced the GRCs' transformation plan, which focuses on promoting higher GRC performance. Guidelines or transformation manuals encompassing various aspects of managing performance were issued by the government, such as guidelines on procurement, for implementing value-based performance measurement systems, and on enhancing board performance. Apart from those guidelines, GRCs were required to disclose their headline KPIs to the public.

The underlying rationale of the GRC Transformation Programme is to create economic and shareholder value through improved performance of GRCs. Hence, specific policy guidelines and initiatives have been driven by principles of performance. Consistent with the government initiative, XYZ, the parent company of MNPharma, has launched the implementation of KPIs throughout the group including MNPharma. Five areas were identified as having strategic importance to the organisation, represented by the acronym PEPSI, which was constructed on the idea of BSC (Balanced Scorecard, Kaplan and Norton, 1992, 1996). PEPSI represents P=Productivity & Growth; E=Expansion; P=People; S=Systems and Improvement; I=Image. Apart from Image (which was argued to be another perspective significant to the organisation's performance as a public listed company), other areas correspond to Kaplan and Norton's traditional BSC: Productivity & Growth relates to the financial perspective, Expansion is consistent with market perspectives, People refers to the learning perspective, and System and Improvement corresponds to Internal Process. The performance of these five areas is measured by KPIs.

The budgetary process of the organisation is divided into five years of rolling strategic planning and an annual business plan. The strategic planning usually starts with a specific target set by the parent company (XYZ Group). For instance, in 2008, the organisation was given a target of achieving US 1.2 billion dollars of revenue and US 115 million dollars of PATAMI (Profit After Tax and Minority Interest) by 2013. MNPharma cascaded the target down to the three business units, which further cascaded it to their

respective departments or sections. From these numbers, the organisation used PEPSI to formulate strategic actions in the five core areas in order to achieve those targets, and applied the KPIs to measure their performance. In the same year, the organisation took a further step to cascade the target down to every employee, including non-executives who had to share some parts of the corporate KPIs.

In this organisation, the responsibility for collecting information on divisional PEPSI was given to Corporate Planning Units. Each department was required to submit their PEPSI report to the divisional head, who then collapsed the information into a divisional PEPSI report. Each division then submitted the information to the corporate planning unit, which was responsible for preparing the PEPSI report, known as Scorecard, for the whole organisation.

The PEPSI report was produced monthly. Usually the deadline for the divisions to submit this was in the week before the monthly management meeting, attended by the divisional head, the chief financial officer, the chief operating officer, the head of corporate planning, and chaired by the managing director. The head of the Corporate Planning Unit would present the Scorecard for the organisation as a whole as well as the divisional Scorecard. Usually, the Corporate Planning Unit would highlight the variance between the based target and the stretch target in each element of PEPSI. The management meeting would discuss the Scorecard and the divisional head explained the reason for the variances and the action plans made in response to these. Attendees would deliberate the action plans to ensure that steps taken by one division would not be detrimental to the

performance of another as well as to the company as a whole. Once they had agreed on the status of the performance and the collective actions that would be taken to address the variances, the managing director would present the organisation's Scorecard to the parent company at their monthly group meeting.

### **6.3.2 The Emergence of High Performance Culture**

Functional interest was observed to be the major problem that concerned the senior management of the company. Members throughout the organisation usually worked independently and rarely communicated with each other. Realising this was a major obstacle towards achieving its goal, the management took the initiative to inculcate a new culture of high performance throughout the company.

They first gathered together in a brainstorming session and agreed that features such as teamwork, communication, passion, integrity and caring were at stake in the group of companies. Subsequently, the group launched the High Performance Culture with the abbreviation TOPIC, which represents T=Teamwork, O=Open Communication, P=Passion for Excellence, I=Integrity and C=Caring. It was seen as a way to create a culture for the whole group and to minimise the impact of sub-unit culture.

The introduction of TOPIC in this organisation was not only relevant in terms of changing the behaviour of the organisational members; importantly, it was also intended

to support the implementation of KPIs and to change the practices and orders in the organisation. TOPIC was significant in helping the senior management in promoting the importance of KPIs. Through a series of TOPIC workshops, the organisational members were informed about KPIs and how they could contribute to the achievement of these. Every participant was also given a folder that contained reading material on Balanced Scorecard and KPIs.

TOPIC changed the orders when its discourse formed part of everyday human coexistence in the organisation. A TOPIC banner was displayed in strategic places within the organisation: for instance, at the main entrance, in the canteen, in common locations and as wallpaper on individual computer desktops. The values promoted by TOPIC were directed at shaping understandings, ends and rules of organisational practices. TOPIC was a permanent item on agendas of meetings, and as a result members were continuously reminded of its importance.

For example, when organisational members drew on TOPIC values in carrying out their roles, they were encouraged to develop understanding of how their work would contribute to organisational excellence. In one of the workshops, the consultant continually reminded participants to consider 'their contribution to the company' instead of 'what the company could offer'. He argued that 'what the company could offer' should be preceded by efforts from the organisational members towards the organisation's objectives. TOPIC also shaped rules by influencing the way in which activities were managed. An instance of this was noted in the logistic division when TOPIC prescribed

who should keep track of the stock placed in a temporary location and the practice to be used in the event of the absence of this particular member of staff. Based on teamwork values, the procedures on the warehouse floor were agreed among the operational staff and these rules were acknowledged by their managers. Similarly, TOPIC shaped the rules in the customer service department when they established 'quality circle' teams. These quality circles comprised of an executive and a few non-executives, and aimed to decentralise operational decision-making to the operation staff. Only when these quality circles could not solve a problem, would it be referred to the manager.

Although Schatzki (2002) argues that organisational ends hardly change, any change in the mesh of practices and orders may alter the process towards the achievement of organisational objectives. The introduction of TOPIC in this case did not change the aim of the organisational practices, such as to maintain sufficient stocks for a hospital's consumption or to be a leader in the private market; however, the values promoted by TOPIC altered how the objectives will be accomplished. For instance, to achieve KPIs of three months' stock for essential items, the organisational members in the supply chain department no longer relied on a verbal promise from their suppliers; they instead chose to track their suppliers' performance, noting down at what stage their production process related to the order they had placed.

In addition, the values represented by TOPIC formed part of the elements within the performance appraisal of individual employees. At the time of this study the measurement of these elements was subjected to the judgment of superior staff members.

## **6.4 The Practices of Performance Management**

### **6.4.1 Transforming “Complacency Culture”**

As a government-related company, the performance of this organisation has received much attention both from the general public and from the government. For the government, GRC companies have to play a greater role in the market, not only in terms of achieving its bottom line, but also to improve the well-being of society as a whole. GRCs are expected to create new businesses and to support the government in grooming local manufacturers and small businesses.

In terms of financial performance, GRCs were required from 2005 to publish their headline KPIs in the local media. This usually invited comments from financial analysts, the general public and politicians. As a result of this open public discussion, GRCs began to show more concern about their performance, typically appointing new Managing Director (MD) or Chief Executive Officer (CEO) with wide experience in company turnaround. This practice appeared to work in a number of public utility-based GRC companies in the country. For instance, the airline company, which had been subjected to public concern over its poor performance, had seen a tremendous increase in its profitability in just two years after the appointment of the new CEO. Similarly, the success of the CEO in accomplishing the turnaround of a telecommunication company had secured him a similar position in another GRC utility company. The turnaround stories of other GRCs also signalled an important lesson to the organisation in this case study, in that although the government holds controlling stakes in the GRC companies,

the government would not bail them out in the event of losses. As such, KPIs were not a flavour for the year but this was a serious endeavour on the part of its organisational members.

The organisation in this present case study therefore engaged in a similar strategy. The MD and other newly-appointed members of staff, with wide experience in different industries, were brought into the company to manage organisational performance. The MD regarded this as necessary in order to achieve the organisational goal, as he stated:

“I would not want to say that this is my strategy, but at the end of the day, when you introduce HPC (High Performance Culture), if old people cannot cope with that or cannot subscribe to that culture, I cannot take them along. Either they join me or they leave me, as simple as that. In life we must share, we must agree to move, someone wants to move to A, someone wants to move to B, sorry. I am pretty clear what I want to see. Otherwise, I cannot get people to work towards that goal. In any ship, there must be one captain.”

The behaviour of “old people” referred to by the MD above represents the long-serving employees who had been in the company since its inception. They were the organisational members whom the senior management team considered presented a risk to the success of high performance culture.

The managing director held a vision to turn the company around to become a dominant player in the private market as well as to strengthen its position in foreign markets, especially in Asia. To work towards this aim, one critical issue that needed to be addressed was the “complacency culture” in the organisation. As a concessionaire of the pharmaceutical items for the consumption of government health centres in the country, equivalent to about 50% (in SKUs) of the share in the government market, a substantial

stream of revenue was guaranteed. Some organisational members were too satisfied with the concession business and as a result there was less effort to improve performance. This created what the new members termed as “complacency culture”.

The organisation had three business units, or divisions: the logistic division which held the concession from the government; the manufacturing division which supplied 90% of its production to the logistic division and the remaining 10% to private markets; and the medical equipment division, newly-formed to supply medical equipment to hospitals.

Each of these divisions had several departments that supported its activities. In the logistic division, orders were captured from Electronic Data Interchange (EDI) systems that linked the hospitals and health centres throughout the country with the organisation’s information system. The orders were taken by the customer service departments, which would then channel the order to the warehouse department. The supply chain department was responsible for procuring pharmaceutical items from suppliers, while the manufacturing division comprised a few departments such as production, quality assurance, supply chain management, warehouse and other administration functions.

The sales and marketing department used to be a separate division within the organisation, but it was placed under the manufacturing division at the beginning of my fieldwork, and then became independent again at the end of the second phase of field work. The significance of this change will be discussed in the following paragraph.

The senior management argued that a “complacency culture” was embedded in everyday practices within the organisation, whose members merely proceeded with these practices, feeling little concern over cost, lacking ideas about how to improve their performance in private markets, and caring less about developing fuller integration with other divisions. The fact that the organisation was approaching the end of its concession period added to the concern of the management. About 90% of their revenues were generated from the concession business, and should the government decide not to renew the concession, the whole organisation would collapse. Towards the end of the study much speculation appeared in the local newspapers on the fate of the concession business. Of even greater concern to the organisation was a statement in one local newspaper from a competitor (which was also one of the GRC companies) that the government had agreed to appoint them instead to hold the concession in the new concession period.

The term “complacency culture” was a phrase used by the senior management to justify why a new culture of high performance was needed. The term was used quite frequently in meetings, staff assemblies and high performance culture workshops, the aim being to remind organisational members that they were in a state of “complacency” and would have to change to the new ‘high performance culture’ which was designed by the senior management. Most of the organisational members agreed that they were in this state of “complacency” and realised that the government might choose not to renew the contract in the future. However, some argued that the fact that they were concessionaire was the essence of their business, and that it was necessary to concentrate on improving the performance of this business segment and to forget about the private market. In this way,

they argued that, rather than compete in the uncertain market, resources could be channelled to the business segment, the revenue of which was guaranteed.

#### **6.4.2 The Consequences of Interdependence - The Problem of Goal Alignment between Departments and Divisions**

The relationship between the logistic, manufacturing and sales and marketing departments reflected reciprocal interdependence. The integration between the divisions was crucial to the successful performance of the organisation. At a very basic level, the manufacturing division depended on a sales forecast from the logistic and sales departments in order to prepare for its production schedule. The products of the manufacturing division were inputted to enable the logistic and sales and marketing departments to proceed with their functions. Goal alignment was an issue to address as these organisational functions had been very concerned with their own practices. The organisational members in the manufacturing division were mainly concerned with their production activity and compliance with Good Manufacturing Practices (GMP), a process that was based on the push system. The sales and marketing department therefore argued that some of their products were not meeting the current demand of the market and as a result, while the production target of the manufacturing division was achieved, it did not generate revenues to the organisation.

One issue raised by the lack of goal alignment between the divisions can be illustrated with the problem of backorder, which, at the beginning of my field work, had existed for

years and had been the major strain on the relationship between the organisation and its customers. The backorder problem occurred when the organisation could not fulfil a customer order on time. Within the organisation, the tendency was to attribute this problem to the failure of the manufacturing division to produce on time. This created tensions among the divisions, the manufacturing division arguing that the blame should be shared by both sales and logistics: the backorder problem arose from the shortcomings of the order from logistics and sales, since it did not always meet the minimum order quantity; in addition, logistics and sales usually gave tentative orders, failing to confirm them within a reasonable period. The confirmed order is very crucial because the production process of pharmaceutical products needs to be in compliance with GMP (Good Manufacturing Practices). Materials, equipment, building and procedures all have to comply with GMP guidelines, which require long term planning and larger capital investment than other industries.

During one of the meetings when the backorder problem in the manufacturing division was discussed, scepticism about the practices of other divisions was very apparent. Attending this meeting were the senior manager production, senior finance manager, the business development manager, the supply chain senior manager and the head of the manufacturing division. They discussed what should be done to the list of backorder items that did not meet the minimum order quantity. An excerpt of the meeting is presented below:

Senior Manager 12: "Marketing mentality, they want to hold stock for six months, so that's why whenever they order, they order maximum amount".

Senior Manager 11: “We have to look at individual product, we have to know the details, because sometimes it is not because we don’t have the capacity, but Logistic asks us to hold first because they don’t have the warehouse space. Also when marketing put a large order, then it becomes backorder to us”.

Manager 14: “Then what’s the problem with these items (pointing on the list of the backorder”.

Senior Manager 11: “We are not in control of the system, so we need to ask other people favour”.

Senior Manager 7: “I am sceptic about HR HQ [Human Resource Department placed in Head Quarter], it seems that their TOPIC is without O and C. If they don’t want to delete then we do it another way. We issue invoice and after that we issue credit note. So that it will become knock-off. Since now nobody bother, because no one suffers except manufacturing division, so make everybody suffers and then people will be aware.”

Senior Manager 12: “The problem is it will affect the cycle<sup>11</sup>. Is there any black and white that you have discussed with Logistic about the backorder and ask them to delete?”

Senior Manager 11: “Yes, a few times but no black and white”.

Manager 14: “When they order, do they know our batch size or MOQ?”

Senior Manager 12: “Of course they do”.

Senior Manager 11: “Yes they know but we are being bullied!”.

The above snapshot from the meeting about backorder in the manufacturing division illustrates the tension arising from the interdependent relationship among the divisions. The manufacturing division operated its own computerised system, known as PRONTO. This system captured all information about the manufacturing process, such as the time taken to perform manufacturing processes, the cost per unit, material usage and standards material for each batch. It was, however, a stand-alone system with a dedicated room and devoted data entry personnel. Orders from the logistic division or sales department were captured using a medium of interfaces between the Oracle-based computerised system in the logistic division and the PRONTO system. Therefore, as a recipient of order information, the manufacturing division would not have the authority to modify the data

---

<sup>11</sup> Here, what the senior manager 12 meant as affecting the cycle is, if such actions as proposed by the senior manager 7 are allowed, it will set a new practice and it would defeat the purpose of having the computerised system.

transferred from the Oracle-based system even though the order did not meet the Minimum Order Quantity (MOQ). As a result this order would be regarded as a backorder by the logistic division.

The case outlined above did not only represent the problem of backorder. Importantly, it also illustrates the tension among the divisions in the organisation in managing their interdependence of activities. The suggestion made by senior manager 7 to issue fictitious invoices based on the amount of backorders and to offset that amount by issuing credit notes was an exercise to show their revenge to the logistic division, which did not want to delete in the Oracle system the amount that did not meet minimum MOQ. By doing that, the transaction would appear in the accounts of the logistic division, thereby attracting their attention to the problem faced by the manufacturing division. Senior manager 7's cynical comments about TOPIC 'without O and C' was a reflection of the manufacturing division's concern over the role of head office in encouraging open communication (O) and cooperation (C) among the divisions. He contended that the management programme of TOPIC would not achieve its objectives if the divisions were concerned only with their own interests.

The activities of organisational members in both divisions transpired as part of the meshing of practices and orders. The order practices in the logistic division interacted with the production planning practices. Orders transferred through interfaces between the Oracle-based system and the PRONTO system formed the basis for production planning. The case of an order unmatched with minimum MOQ exemplifies the disruption of the

mesh of practices and orders in the manufacturing division. The suggestion by senior manager 7 to issue the invoices and offset the invoices by issuing credit notes reflects an individual intentionality towards the aim to reduce the unjustified backorder. However, practices are “mindful” (Schatzki, 2002). The manager’s suggestion did not engage the others towards the same understandings, and it was viewed as an attempt to influence the existing organisational order by affecting the cycle.

The above narrative is a simple illustration of the complexity of the operations and interdependencies among the various practices in the organisation. The nature of this highly regulated industry contributed to the complexity of their operation and required quite rigid production planning. This included the procurement from suppliers of certain materials that complied with the GMP guidelines and met the quality standards specified in the Batch Manufacturing Record (BMR); in addition, the initial product registration had to be filed with the pharmaceutical regulatory authority of the country. Furthermore, if sourcing the same materials was unlikely - for example, the existing supplier discontinued their operation and no alternative supplier existed - the new material had to undergo a stability test, which usually took about six months. The procurement of raw materials for production therefore had to be scheduled months in advance, and in certain cases might take longer than six months if the materials had to be sourced from overseas.

### 6.4.3 The Perception of KPIs

In response to the concern that production planning was the source of the backorder problem, a senior manager in the manufacturing division blamed budgetary practices, which in his view collapsed the interdependence into a set of numbers.

“It doesn’t happen unfortunately because although they gave the 3 months forecast and 3 months firm, but the 3 months firm are not fixed, they still slot in, still take out, the reason being is because I don’t blame marketing people, nor do I blame logistic people. I blame the whole process of budgeting. Because every year we have to budget in the next 5 years, so forget about the next 5 years, just concentrate on next year. It never detailed out, for example, January what are the products, the quantity, what are the activities to push for the products, is not detailed out; it is just numbers and figures. January 18m, February 18m, March 15m, April 15m May 18m, so it’s just numbers and figures, so when you do that, at manufacturing side is very difficult to interpret this 18m and 20m, what is inside this 18m, I don’t know, I will only know it if you tell me, but you don’t tell me, you just tell me I don’t care, January produce for me 18m, so where is this 18m coming from? What products? [As he telling me this, his voice was filled with annoyance. This interview was taken during a lunch hour, prior to a budget meeting for 2010 business plan. I expected the issue of detailed budget to surface in the afternoon meeting and it turned out to be true]. So when this is not well executed in the budgetary exercise, so the consequence is fire fighting, marketing gives their figures and logistic gives their figures. Suddenly, when they check with customers, they still have stock A, they want stock B, so in the end this is the problem.”

He added:

“PEPSI is much much better. It is very difficult to depend solely on budget to gauge the performance of your organisation. For example, we used to have argument with marketing, ‘you target 16 millions sales but if order does not coming to us, how would we generate this 16 million? At the same time we don’t want to produce based on budget but in the end it is left in the inventory.”

Senior Manager 7

The manager’s perception of a budget appears to be rather naïve. In essence, a budget is a planning and control mechanism in an organisation and by its very nature is susceptible to internal and external uncertainty. Although marketing and logistics can provide a detailed budget this would not relieve the managers’ concern over the problem of changes in the order, as market dynamism cannot be prevented. For instance, it is impossible to predict an outbreak of H1N1 disease which gives rise to a sudden and immense increase

in demand for items such as face masks. In such an instance the budget has to be revised in order to take advantage of the increased demand for the product. However, the manager was aware of the value of PEPSI, which was more reflective of organisational performance. As discussed in section 6.3.1 above, PEPSI comprised of both financial and non-financial dimensions of performance that were important for organisational success. It can be suggested that an accounting measurement such as a budget is less influential if it has to work on its own. As such, it could lead to misunderstanding or dysfunctional behaviour, and invites resistance.

The multiple dimensions of performance offered by PEPSI were its selling point. As argued by a senior manager from the manufacturing division, PEPSI emphasised other areas of performance in addition to financial performance, as illustrated by the case outlined above regarding the budget. Further, it detailed the action plans needed in order to achieve the numbers presented in the budget.

“That’s why we cannot really depend on budget because if we just emphasis on financial target, nobody will take part in our CSR activity. Our CSR is not just internally, sometimes they went out during the weekend in activity such as mobile clinic etc. Similarly in other project such as Six Sigma, continuous improvement, if I just measure the performance of the staff by financial target, nobody will take part in those activities”

Senior Manager 7

KPIs were not entirely new to the organisation as they had been used to measure the divisional performance since 2005. However, the use of KPIs to measure individual performance, and how these related to the achievement of its overall objectives, was innovative within the organisation. PEPSI represented the strategic areas or dimensions for achieving the financial target set by the parent company. The performance of these areas was measured by a specific set of KPIs which would be shared across the

organisation. This notion is embedded in the design of KPIs; they should connect the activities within an organisation.

A senior finance manager, who had worked with the company in the past and who had recently re-joined, noticed that:

“With KPIs, HR is no longer sole owner because each individual, the department and individual themselves must ensure that first they put in their target at the beginning of the year and in the mid year, they review. Do they meet the target? Do they change in term of goal setting? So they have the sense of responsibility. Rather than at the end of the year, you sit with your boss, what you have done this year and you sometimes do not remember.”

Senior Manager 13

To a certain extent, the emphasis on KPIs limited the choice of actions for organisational members. This usually results from the trade-off between the cost and the financial benefits of an activity. If an activity does not causally relate to any KPIs in the dimensions of the PEPSI, it has a great tendency to be rejected on the grounds that such resources should be directed to the activities where the link with the attainment of KPIs is more evident.

This problem arose within the company as a result of the perception that KPIs were the mechanism to bring the company towards its financial objective. Although it was intended to measure multiple dimensions of performance, its discourse was often associated with a reward system. For individuals, therefore, the achievement of KPIs meant that they received a generous bonus at the end of the year. At the time of this study the formula to calculate bonuses was a combination of achieving a certain percentage of KPIs and a percentage of behavioural competence. The ratio of KPIs and competency

differed according to the salary scales of organisational members. The higher the members in the organisational hierarchy, the more weight was given to the KPIs than to behavioural competence. This indirectly influenced the perception of the organisational members to equate the concern over KPIs with the concern over bottom line. The calculation of the bonus also took into account the achievement of the KPIs for the overall organisation. Should the organisation as a whole fail to achieve its KPIs, no bonus would be declared for the year, a control with which to promote goal alignment in the organisation. The following sections illustrate how the practice of KPIs relates to other forms of control system in the organisational control mix.

## **6.5 The Process of Goal Alignment**

### **6.5.1 Management Programme - TOPIC**

The appointment of the managing directors and the new management team brought to light a new development in the organisation. Their aim was to dismantle the culture of complacency and replace it with a corporate culture known as TOPIC. A consultant company was hired to guide the organisational members on the principles underlying TOPIC and a series of workshops was conducted to explain what the management intended to create from the programme. Banners were placed in many locations, and the TOPIC programme was a permanent item on the agenda of both management and departmental meetings. A set of KPIs provided by the parent company reflected managerial intention and TOPIC was one of the many mechanisms employed to engage

organisational members in working towards that intention. TOPIC also was designed to articulate to the organisational members that managing performance was the responsibility of all staff, and that KPIs were the measures that could achieve the goals of the organisation.

Reflecting on the role of KPIs and how it was made to work in aligning the organisational intent with those of the individual, a manager commented:

“Actually is very challenging because when you are committed with the KPIs, you have to follow, sometimes people question, can I achieve it or not. So that’s why the staff is having the feeling that can we make it or not? So that’s why TOPIC comes out later on. So with this TOPIC, everybody will be able to achieve the goal and objective of the company. So let say I cannot achieve my KPIs, my bosses also fail on their KPIs, the higher bosses also don’t meet their KPIs, so it is started from ground floor so everybody has to give their full commitment, in order to achieve the company’s KPIs.”

Manager 13

The launch of TOPIC was intended to support the implementation of KPIs and reflected the concern over the performance of the organisation. This was necessary in order to provide a conceptual language that could articulate why KPIs were important and how such measures contributed to the well-being of the organisation. The behavioural attributes that were represented by TOPIC formed part of the elements that determined individual reward, and the introduction of TOPIC was seen as a behavioural control system that humanised the facts and figures that were usually associated with accounting measures such as KPIs. Although KPIs also served to create a discourse that sought to guide organisational members on matters beyond quantitative measurement, they would, however, be more influential if they were properly articulated. In this case, the embedding of KPIs into everyday practices within the organisation occurred as a result of

the introduction of TOPIC, which lent a special kind of language that articulated the meaning and purpose of the implementation of KPIs. As the case illustrates, the meshing of KPI discourse with TOPIC articulates the desirable behaviours towards the achievement of the organisational objectives.

All the five issues represented by TOPIC were identified as the enabler for achieving the organisational objectives. Among them, teamwork and open communications presented the main problem. In the first survey conducted by the company to elicit the perceptions of the organisational members on each value represented by TOPIC, the lowest score was allocated to teamwork and open communication, confirming the expectation of the management that those two issues should be given priority.

The following section discusses how teamwork and open communications strengthen the role of KPIs in aligning the divisional intents with the organisational intents. The style of managing performance was viewed as strongly associated with the spirit of teamwork and open communication, i.e. face-to-face and leading by example, and the role of meetings.

### **6.5.1.1 Style of Managing Performance**

#### **6.5.1.1.1 Face-to-Face and Leading by Example**

The senior management of the company emphasised face to face communication and an open door policy. The first effort made by the MD to show his concern with openness,

therefore, was to change the layout of the office in HQ: transparent glass was installed in all managers' rooms and meeting rooms.

In particular, the MD would encourage the shop floor staff to communicate to him personally any suggestion or issue that needed to be addressed at his level within the organisation. He sometimes called the sales representative himself to enquire about their sales or any new market information. By doing this, he attempted to close the gap which had arisen as the result of the organisational hierarchy, and demonstrated the importance of open communication.

The same approach was adopted across the hierarchy - for example, the senior sales and marketing manager demonstrated to his staff his interest in their activities through making face-to-face contact. He stated:

“I ask them, how is your sales today? How many products did you sell? Everyday you ask like that, don't you think that the sales people will go and chase the sales because he knows that the next day my boss will ask. So that is the first follow up, very basic, because this is the first step, for me this is the culture that we talking about.”

In the sales and marketing department, a new philosophy was introduced, whereby sales were no longer conducted from behind desks. Instead, all staff, including senior managers, were encouraged to venture out to seek sales and new markets. The spirit of teamwork was demonstrated through coaching practices: the new sales representative would be accompanied by a manager for his first few sales visits in order to encourage motivation in completing sales.

The style of managing performance related closely with the properties of individuals, and the recruitment of new faces appeared to introduce fruitful changes to the organisational practices. As narrated by a senior finance manager in the manufacturing division:

“One is to change my department’s perception, before this, my department is only exclusive for finance, nobody should know what happen in finance, the information, the accounts is only for finance manager and the senior GM, and then they don’t have any customer oriented philosophy, when I joined the company, over here, I change it to 48 hours policy.”

“48 hours policy when the customer request, something very urgent, within 48 hours we will give you the result. Those days, marketing requested what is the price, what is the cost of our products, it takes weeks for us to calculate but now, to get the price it is just a few seconds.”

He added that:

“Previously, you know finance department like to approve things, payment, claim, blah-blah, now no more, we don’t want to duplicate things. Let say for example claim, so when people claims, go to HR, double check and then pass to finance and finance also double check and approve, and get myself to approve for payment, and then go to the signatories, a lot of processes. Now, when recommended by HOD, and then checked and verify by HR, straight go to payment. So we cut cost on the payment voucher, we cut cost on the cheque, we cut cost on the people preparing the payment voucher, we cut cost on my cost, so it goes straight to HOD and then HR confirm and ok. HR just prepare summary to me and to senior GM just to inform, so it becomes faster.”

In fact, the finance division sought to make accounting a shared practice (Ahrens and Chapman, 2007). Doing this not only improved the teamwork and communication within departments, more importantly it also had an implication for goal alignment in the organisation. Payment for claims had become a shared accountability across the organisation, now that a certain financial power had shifted to the respective operational units.

Face-to-face interactions and leading by example were not directly translated into performance targets. The number of face-to-face encounters was less significant than the end imbued in such actions that would make a difference to the organisational objectives.

Through face-to-face interactions, organisational objectives were articulated by way of activities such as personal coaching and leading by example. For instance, the act of the MD to personally call the sales representative to ask about sales activities could be the means of articulating the organisation's concern about the source of the organisational bottom line.

#### **6.5.1.1.2 The Role of Meetings in Promoting Open Communication and Teamwork**

The most apparent practice arising from the introduction of TOPIC was the importance placed on the role of meetings in the organisation. Meetings were not restricted to formal departmental or divisional meetings alone; they included the practice of having morning briefings in the warehouse department in the logistic division; introducing shift briefings on the production floor; and holding ad-hoc briefings regarding emerging issues in day-to-day activities. In the manufacturing division, a production meeting played a significant role in managing the flow of production processes and in assessing their status. In this meeting, the production status was compared with production targets, while accounting information was mobilised with other production knowledge to arrive at a decision.

Although time-consuming, many regarded the practice of holding production meetings as encouraging the integration of all departments in working towards the achievement of production targets. With at least one representative from every department present, issues could be clarified and bottlenecks identified, accountability was transparent, and decision-making speeded up.

Through meetings, information visibility was created. In the case of backorder, an ad-hoc meeting to address the issue was found to be very fruitful. Surprising information was revealed: the backorder problem was partly the result of invisibility of information in the division. In that particular meeting, the production manager was surprised to see the long list of the backorder products:

“Oooh, you have the backorder list, why don’t you give to me, I just heard about backorder 7 millions but I don’t see the list. If we know, we can make decision, maybe we should outsource! Because to do small batch for MOH [Ministry of Health] is not profitable because overhead will be very high”.

One of the steps taken following that meeting was to rationalise their product range. Based on the product profitability report, products that gave negative or low contribution margins would either be eliminated or outsourced to other manufacturers.

Since the introduction of TOPIC, inter-divisional communication also improved through frequent meetings. For example, a weekly meeting was conducted between the supply chain departments in both logistic and manufacturing divisions, in which the synchronising of activities was discussed. The logistic division identified products that were in high demand, while the manufacturing division requested the assistance of logistics to procure the high value items from their inventories in order to enable manufacturing to achieve its sales target. To tackle the backorder problem, orders that did not meet manufacturing MOQ were outsourced, a change which also resolved the problem of lack of warehouse space as the manufacturing division would negotiate with suppliers to deliver in stages. The overall consequences of these actions would improve bottom line as a whole since products could be ready to meet customer demand with less

stockholding cost. This meeting illustrated the spirit of teamwork and open communication, both divisions pushing for their divisional intent yet governing their actions within the boundary of overall organisational intentions. This did not necessarily mean they always succeeded in arriving at a mutual compromise. The practice of the meeting to arrive at goal alignment would bring a positive outcome only when the intertwining of different practices-arrangements cohered, i.e. when none of the rules that governed each practice was violated, the proposed actions were within the practical understandings of the participants of the meeting and the solutions proposed came within the acceptable arrays of ends of practices. The role of the meeting illustrated the process through which the meshing of KPIs with other organisational knowledge took place and how discussion helped to articulate the discourses of KPIs within the organisation.

## **6.5.2 Change of Organisational Structure**

### **6.5.2.1 The Merger of Manufacturing with Sales and Marketing**

The issues of backorder were discussed with one of the sales and marketing managers, who argued:

“Yes, we order 6 months stocks even though we need only 3 months stocks. I tell you, I don’t trust them, I don’t believe that even until now that they can deliver on time. The problem is if we cannot deliver the products that we promise our clients, they will lose trust on us. For me the answer to backorder problem is planning, planning and planning.”

This assertion is illustrative of the situation that impedes the process of goal alignment. It was within the general understandings of the sales and marketing manager that planning

of the production schedule was difficult to carry out as it would certainly be influenced by change in the pattern of demand. The order of six months' worth of stocks was to protect the interest of the sales and marketing department so that the sales personnel would not run out of stock. This has implications for the performance of the manufacturing division as well as the overall performance of the organisation. The manufacturing division would be burdened with the backorder problem and the organisation as a whole would suffer higher holding costs. To a certain extent the practice of the sales and marketing department contributed to the problem of loss due to the expiry products. In 2008, about US 300,000 dollars was written off as a result of the short expiry products.

The above interview with the sales and marketing manager was conducted at an early stage of the first phase of the fieldwork. Although at that time the sales and marketing department has been placed within the manufacturing division, the previous statements indicated that goal alignment was still an issue. However, over a period of time the problem gradually diminished, and the frequent meetings within the manufacturing division also contributed to reduce the gap between them. Before the restructure, products from the manufacturing department were transferred to the sales and marketing division (before the merger, it was an independent division) via cost-plus transfer pricing. Tension always arose in terms of formulating the best price that would meet the targets of both divisions: while the manufacturing division allocated a certain percentage of profits to cover its costs as well as to achieve its bottom line, sales and marketing argued that they

had to add on a percentage to cover their costs, which in the end made the price too expensive to compete in the private market.

When these two entities merged, therefore, the issue of transfer pricing was resolved. Sales would be treated as the sales for the whole company; the performance of the sales and marketing department was measured against the targeted sales; and the manufacturing division was measured against the achievement of production target.

A manager in the manufacturing division explained the reason underlying the merger between the manufacturing division and sales and marketing:

“There is a lot of synergy, better synergy in the sense of formerly one head went for operational efficiency, and another one went for supplies. They (sales and marketing) are talking about revenue, the more sales we get, the more revenue we get, here we are talking about bottom line, you can make more, but if you can't achieve bottom line, what is the point. So, now they started to be more profit conscious.”

Manager 6

Furthermore, the merger introduced changes in the mesh of practices-arrangements bundles. First, the change in structure from a lateral to a vertical relationship influenced the flow of information and decision-making. With marketing and sales under the manufacturing division, any potential conflict that could have arisen from transfer pricing was avoided, and the practices of sales and marketing could be moulded according to the intentions of manufacturing practices. As argued by Schatzki (2002), practices overlapped through intentional relation or ‘when people think, believe, and feel something about another practice’. The intentional relation was created by virtue of a hierarchical relation, while influencing people’s beliefs, thoughts and feelings was

created through the process of learning and education. Through the intertwining of various practices and orders, the process of learning and educating took place, i.e. when practices were shared and the practical and general understandings expanded beyond the functional practices of the organisation. Since the merger, a finance manager was assigned to advise the sales personnel on financial matters, and, in particular, influenced the decision on product mix and costing for new products. As a result, accounting discourses such as bottom line were accepted as part of their own discourse. In their meetings and coaching sessions, the sales manager educated the sales representatives in focusing on selling the product that would improve bottom line.

The changes brought by the one year merger of the sales and marketing department with manufacturing were noted by organisational members. For example, a manager manufacturing division narrated the following to me:

“We want to produce product A but your volume is too small. We do not achieve ROI, so how to produce? It was a hot topic. Now they start thinking, what about they outsourced?  
“Manufacturing says: If we do this cost per unit is high, we are not able to get high margin, we outsource that, at least we get that margin, they collaborate, the collaboration is there because of open communication”

Manager 13

### **6.5.2.2 Demerger Again**

However, the senior management soon realised that it was not the way forward to allow sales and marketing to promote in-house products from their office. They believed that it was time again to test the integration between sales and manufacturing. Their one year of merger had enabled both parties to understand the importance of integrating their

activities. They had been talking the same language, a language that aligned their various intents with those of the whole organisation. Indeed, the year of merger witnessed the success of the organisation in being nominated by IMS<sup>12</sup> as the leading player in the pharmaceutical industry ahead of other locals and multinational generic companies in the country.

However, a newly-appointed head of marketing (the former senior manager of manufacturing) made the following comment on the restructure of the marketing department back to the status of a division independent of the manufacturing division:

“We look at Pfizer, it mainly now concentrated on marketing based activities. They started scrapping a lot of their manufacturing activities, selling it off and maintaining just a few key one. Because we see logic in that, because for example, if today you take my PCM, are you concern with where this PCM is produced? You don’t care where it is produced, do you? If you take my PCM, you concerned with whether it is effective to reduce your headache or cold. So the same thing, today if we want to compete effectively and competitively, in the world market, it must not matter where we produce our products, what matter is that our products must be of good quality and competitive price. So that is why we said, we restructuring this.”

Senior Manager 7

To acquire more of the share in the private market, a demerger of sales and marketing was therefore seen as the best strategy to enable sales and marketing to focus their activities on bringing more revenue to the organisation. This was also in line with the action plans associated with expansion areas in PEPSI. To expand their market, marketing and sales had to compete in the international arena, a venture which was supported and repeatedly discussed by the board of directors in their meetings.

---

<sup>12</sup> IMS is an international company which provides market intelligence service in pharmaceutical industry worldwide

The change in the organisational structure was significant in terms of managing the interdependence of functions within the organisation. Through the process of merger, the functional objectives were negotiated in the light of the achievement of the overall organisational objectives. Although KPIs were intended to press organisational processes into their specific order, it was the merger that lent the space for the articulation of the discourse of KPIs that in turn moulded the understandings of organisational members in adopting common objectives. As this case has illustrated, instead of turning down the demand from sales and marketing, the manufacturing division chose rather to outsource the production of items that did not meet the MOQ. Similarly, the act of the sales personnel to promote items of high margin was illustrative of the diffusion of the discourse of KPIs in shaping the practices of sales representatives.

The demerger was not an unintended consequence of the practice of KPIs but rather the result of the mesh of a general understanding of KPIs with the specific understanding of market competitiveness. KPIs measured the performance of the strategic areas that were the source of the organisation's core competencies. The intense competition in the generic pharmaceutical industry is the great challenge facing the organisation in its efforts to reduce its dependence on the concession business. The increase in competition, however, invites a change of organisational focus. The KPIs help to guide the organisational members on the areas that have the potential to push the organisation towards its intended objectives. In the present study, it was the expansion in foreign markets that was agreed by the senior management as the area that could improve its bottom line. As such, the demerger would create a new organisational order, i.e. the

coexistence of sales and marketing personnel and their resources in the organisation would be oriented towards market expansion.

## **6.6 Discussion**

Schatzki (2002) defines order as “the hanging together of entities” such as humans, things, organisms and artifacts and human lives transpire as part of the practices-arrangements bundles. In this present study, Key Performance Indicators (KPIs) are part of the entities that characterised the organisational order, and stand in the network of the entities to shape and shaped by other entities; KPIs are part of the organisational control mix that was implicated in the process of goal alignment.

KPIs are not a recent phenomenon in contemporary organisations. They are, however, widely used in organisations in conjunction with the proliferation of Balanced Scorecard (BSC). The performance of each perspective in BSC is measured in term of KPIs. KPIs represent a set of measures focusing on those aspects of organisational performance that are the most critical for the current and future success of the organisation (Parmenter, 2010). In this study, the organisation identified five critical aspects of its performance, known as PEPSI, and each aspect was measured by KPIs.

As the case has illustrated, some managers blamed budgetary practices as the source of tension between the divisions. Hence, in this organisation, many managers regarded KPIs as a more accurate measure of performance as compared with budgetary figures. This

strength lies in the attachment that KPIs have with PEPSI, which lays down detailed action plans that are measured by KPIs. Although some managers still viewed accounting figures as the best indicator of performance, they also agreed that KPIs were preferable in the sense of giving information about qualitative data related to figures that were represented in the budget.

The introduction of KPIs was in line with the wider public discourse that questioned the role and performance of GRCs in the country. This supports the argument of Ahrens (1996a) and Miller and O'Leary (1994) that specific organisational practices have a tendency to align with the wider discourses in the public arena.

In the present study, the first few years of the implementation of KPIs were restricted to helping the senior management and members of the board of directors in monitoring the performance of the organisation. The increased financial targets set by the parent company, coupled with the fact that the organisation was approaching the end of its first concession period, placed the management under intense pressure to improve organisational performance.

This study focuses on how the organisational members mobilised KPIs with other forms of organisational control in the practice of goal alignment. The managerial intent of achieving the financial targets set by the parent company was detailed into an action plan represented by PEPSI. Each dimension of PEPSI was measured by a set of KPIs which

were cascaded down onto the operational floor with the aim of making performance management the responsibility of all members.

Attaching KPIs to individuals was merely the first step in the process of goal alignment. The next step was to manage the interdependence between the departments and divisions. One crucial issue that might have hindered the achievement of the objectives was the integration among divisions and departments in the organisation. The “complacency culture”, and a lack of communication and teamwork were among critical factors that contributed to the lack of integration between departments and divisions. At the time of this study, the backorder problem appeared to be the result of the lack of integration. It became the source of complaints and created tensions between logistics, manufacturing and sales.

KPIs are the measure of organisational performance as well as the basis for individual reward. It is a technology that aims at aligning individual, departmental and divisional activities towards the same end, commonly referred as goal congruence. The question is - how does this occur? This is the aim of the present study, i.e. to teasing out how the process of goal alignment works in practice and the ways in which KPIs are implicated in the process of goal alignment.

Essentially, KPIs are given meaning and identity based on their position in relation to other entities within the arrangement. KPIs are made to work by placing them in intentional relations with other entities in the organisational arrangements; consequently

they may alter the existing mesh of practices and orders in both intended and unintended ways. The present study, however, noted the intended consequence of KPIs.

At first glance, the merger and demerger of sales and marketing from the manufacturing division and the introduction of TOPIC may be reflective of unintended consequences of KPIs. However, this was not the case in the present study. Instead, they were inventions by management aimed at supporting the implementation of KPIs and illustrative of the fact that accounting can be part of the package of management control system (Abernethy and Chua, 1996). As such, as one of the entities in the mesh of practices and orders in an organisation, accounting actively shapes and is shaped by other control elements in the organisation. Schatzki (2002) argues that the mesh of practices and orders is not static. The organisation of practices is open for changes that may alter its understandings, rules and ends, yet it also prefigures what actions are deemed acceptable and what are not. In this study, the discourse of improvement in bottom line embedded in the implementation of KPIs changed the organisational order between manufacturing and sales and marketing and was the reason for the introduction of TOPIC. The case illustrated that the organisation of practices continuously encountered change and dealt with it, and the processes of merger, demerger and TOPIC were the manifestation of managerial intentionality (Ahrens and Chapman, 2007) intended to shape the processes of goal alignment within the organisation.

In the present study, the ways in which KPIs were implicated in the process of goal alignment were illustrated in the two control mechanisms in managing the

interdependence, i.e. the management programme TOPIC and the change in organisational structure. Further investigation into the relation between the practices of KPIs with these two forms of organisational control will illustrate how KPIs were implicated in the process of goal alignment.

The TOPIC programme arose from management concern over the problems of poor teamwork and communication, the source of the lack of integration between departments and divisions. It was a behavioural control system which guided the organisational members towards the desirable behaviours that would help the organisation to achieve its objectives. It was a form of control as it was part of the element in the performance evaluation system in the organisation. Two intended consequences of this program were a change in the style of managing performance and an increase in the frequency of meetings.

Face-to-face style of managing performance seemed to produce a fruitful result, at least in the sales and marketing department. The courage showed by the manager in personally coaching the sales representative and in showing interest with the operational activities promoted the company as the leader for generic pharmaceutical company in the country. The style of the MD who opened his door to operational staff improved the process of disseminating information in the organisation (Preston, 1986). The style of managing performance was to a certain extent influenced by the role of human beings who brought with them certain properties such as previous experiences and practices (Van Maanen and Kunda, 1989). As the case has illustrated, many members of the management team were

brought in for the purpose of making a difference in the management style of the company.

This style of managing performance contributed to the alignment process in the organisation, one instance of this being the case of claim approval. By giving autonomy to the heads of department and the HR department to approve and verify the claim, and deciding that finance should merely make the payment, changed the existing practices and orders. It encouraged the practices in the finance department to interact with practices in HR. As a result accounting became a shared resource (Ahrens and Chapman, 2007) and not a technology exclusive to the accounting department.

It can be suggested that the role of meetings was the most notable outcome of TOPIC, as evidenced by the increase in the number of meetings conducted within and across divisions in the organisation. This was the most important practice that changed the mesh of practices and orders in the organisation, shaping the information flow, a platform to connect diverse local knowledge, and making accountabilities visible. Important information usually transpires through talk (Ahrens, 1997, Preston, 1986); through talk, the importance of KPIs was articulated and accounting became the influential source of information in the process of decision-making. The morning production meeting, for example, offered the space where accounting knowledge intertwined with other local knowledge through discussion. Further, during the meeting between the supply chain departments of the logistic and manufacturing divisions, issues of warehouse space and backorders were resolved, and new elements of organisational orders and practices, such

as outsourcing and stages delivery, emerged. Even within the manufacturing division, information visibility had been masked by functional interest, and the backorder list came to the knowledge of the production manager only as a result of the meeting.

Change of organisational structure reflected the organisation of practices and orders in the company. Sales and marketing merged with manufacturing to ease the problem of interdependence, allowing both practices to work towards the same objectives. The merger was a process of educating, to create teamwork and to align intentionality. In the year of merger, the finance manager was assigned to sales and marketing to share how their activities would be interpreted by accounting language. In this case, practices overlapped with the belief and feeling about other practices (Schatzki, 2002) and orders change through placement of finance manager in sales and marketing function.

The demerger was not only relevant in terms of strategy. It also exemplified how practices could be diffused in an organisation. The demerger of the two entities highlights that the practices-arrangements components were not fixed. The composition of the practices-arrangements bundles is a function of how it is intentionally placed in a particular arrangement or order. In the case of demerger, the sales and marketing department was intentionally positioned to participate in wider practices; perhaps the board of director strategising practices to make marketing accountable to bring more revenues. When collaboration between manufacturing and sales and marketing was established, demerger was not seen as a future obstacle. Instead, it was viewed as a

mechanism to encourage both parties to work in their best capacities towards the organisational target.

## **6.7 Conclusion**

In the accounting literature, goal alignment is an issue, as well as the underlying characteristic that made a performance measurement system such as BSC become a popular phenomenon in contemporary organisation. The present study seeks to illustrate *in what ways* and *how KPIs* are implicated in the practice of goal alignment. It therefore expands our knowledge on how accounting and non-accounting control relates in the process of goal alignment. This study shows that in the process of goal alignment, accounting becomes influential in changing the organisational practices when it is mesh with other control systems that provide a platform for the articulation of its importance. In particular, it demonstrates that goal alignment is not a static process; it is continuously constructed in an organisation. As such, it is an emergent process rather than a rational endeavour.

While Roberts (1990) is illustrative of the practice of goal alignment, the scope of his study is limited to this practice during the annual conference period. The present study adds to Roberts' observations by focusing on the contradictions, tensions and agreements arising from managing the interdependence of the two main divisions and a department in the organisation across time and space. The process of goal alignment therefore largely influenced by managerial intentionality that put accounting into intentional relation with

other forms of control systems. The present study thus moves the analysis beyond depicting the role of accounting in the design of goal alignment, as noted by Abernethy and Chua (1996) and also by Miller and O'Leary (1994). The introduction of management programme TOPIC, merger and demerger are the process through which the role of intentionality sought to influence the practices of accounting in the alignment process.

The study concludes that KPIs were made to work through the mesh of practices and orders in the practices-arrangements bundles. The meshes occurred through the interaction between accounting and other forms of organisational control in the organisational control mix. In this study, the existence of TOPIC, for example, was an intended consequence of the implementation of KPIs, yet the perceived importance of KPIs in this organisation can be particularly attributed to the influence of TOPIC. For instance, the style of managing performance, by way of face-to-face meetings and leading by example, was illustrative of the process of how KPIs gained prominence in the organisation. Similarly, merger and demerger were the consequences of KPIs, yet both activities were instrumental in the diffusion of KPIs in the organisation. The process of educating the sales personnel during the merger of manufacturing and sales helped to articulate the importance of accounting to the sales personnel.

The change of organisational structure not only represents strategic initiative, it also reflects the organisation of practices and orders that shaped and were shaped by the implementation of KPIs. This study suggests that the extent of how accounting may

influence the organisational practices is reflective of its relationship with other forms of organisational control that provides a platform for its articulation. Accounting, if it is well articulated, is thus influential in infusing actions in an organisation.

## Chapter 7

### **Managing Performance in a Privatised Organisation: Putting Accounting into the Context of Dual Accountability and Cultural Practices**

“Accounting is neither a static nor a homogeneous phenomenon. Over time, all forms of accounting have changed, repeatedly becoming what they were not. Accounting, moreover, is not a homogeneous craft.” (Hopwood, 1983; p. 289)”.

#### **7.1 Introduction**

The heterogeneous phenomena of accounting as argued by Hopwood (ibid.) is the result of the way in which accounting is practised in an organisation and its interplay with the wider socio-economic environment. In one organisation, the ceremonial practices of accounting might decouple accounting from the decision-making process, while in another accounting might represent the understandings and rules that shape the conduct of the organisational members. For instance, the relation between accounting and operational practices in Britain and Germany, described by Ahrens (1997), signifies the different ways in which they intertwine: in Germany, accounting is understood as part of the bureaucratic procedures, while in Britain accounting is mobilised with operational knowledge in arriving at the best operational decision. Such heterogeneous practices of accounting are the outcome of the on-going interplay between agencies and the practices of accounting and the way in which the practitioners strategically mobilise accounting with other organisational knowledge.

Practices are the site of various activities in an organisation. The mesh of accounting and other organisational practices are the site where various activities interrelate (Schatzki, 2002), while practices such as meetings (Vaivio, 2006) or formal or informal talk (Ahrens, 1997) are the sites where accounting and other bodies of knowledge intertwine.

The array of activities that form a practice is the source of meaning or “what something is” (Schatzki, 2002, p.47). Activities that are embedded in a practice symbolise what is right, wrong, important or risky and therefore practices are the source of the meaning in an organisation. The meaning of GMP practices, for example, is derived through the specific activities that are embedded in the manufacturing practices. Therefore, epistemologically, one has to turn to the practice itself in order to gain knowledge of “how the very practice of accounting might itself create a dynamic for accounting change and reform” (Hopwood, 1987, p. 208).

This thesis illustrates the processes and the forces that contribute to the heterogeneous phenomenon of accounting in an organisation. By way of an ethnographic study of everyday practices in a privatised pharmaceutical organisation, a practice perspective is offered in understanding the relationship between accounting, accountability and cultural practices. Further, this thesis conceptualises the process and the sources of stability and change in an organisation.

Like many other privatised organisations, the transformation from public sector practices to practices of the private sector often invites tensions, resistance and realignment of organisational practices; the latter in a privatised organisation is also a long term process. As illustrated in the present study, the realignment of organisational practices from public sector practices to those within the private sector continues to take place after almost fifteen years in the post-privatisation period. This thesis, however, is not directed towards analysing the effects of the privatisation programme. Nevertheless, in understanding the meaning, or “what accounting is”, (Schatzki, 2002) in the organisation, the analysis of its

historical information and social context is inseparable from its current organisational practices. In particular, the concept of cultural practices and dual accountability are largely related to some of the effects of the conditions of the privatisation programme.

Within the process of the transformation of public service organisations, the ideas of efficiency, value for money, cost minimisation and profitability have often been the main discourses that promote the changes in the organisational practices (Dent, 1991; Ezzamel et al., 2007; Ogden, 1995). On similar ground, the idea of change in this organisation is directed towards achieving the desired financial performance. The concern with the “complacency culture”, the dependency on the government as the major source of revenue and the issue of intra-organisational integration are mobilised with the discourses on financial performance.

Drawing on Schatzki’s practice theory (2002), the present study explores three main themes. Firstly, it discusses the relationship between accounting, accountability and strategising. This relationship is juxtaposed in terms of the understandings, rules and diverse intentions of concession practices and the stringent rules of regulated industry. In the practices of managing dual accountability, accounting is the practical and general understandings that shape the strategising activities. The study describes the way in which organisational members mobilise the understandings of accounting with strategising in everyday practices. By focusing on the context of a privatised organisation in a regulated industry, the study offers an insight into how such an organisation deals with the demand of dual accountability.

Secondly, the study describes the processes of stability and change in an organisation. Echoing the extant studies that argue the role of agency in bringing about the coexistence of stability and change of accounting practices, a practice theory perspective in understanding the relationship between agency and subcultural practices is offered, and an explanation is given of how the on-going interplay between them promotes the coexistence of stability and change. It is of particular interest to this study to bring to light the relationship between human intentionality and non-human agency. For instance, the promotion of accounting discourses is observed to be the result of management intention to improve the organisational performance, and the discourses, such as production targets, are the most significant non-human agencies that contribute to the stability and change of organisational practices.

Thirdly, this study discusses the process and practices of goal alignment within the organisation, focusing on the relationship between accounting and other forms of control in the organisational control mix. The study does not aim to show how an organisation designs a balanced mix of control systems; rather it seeks to demonstrate the way in which accounting is related to other forms of control system in the process of goal alignment.

Within these three themes, the power of accounting in the process of managing performance rests primarily with its constitutive role. The constitutive role of accounting is the result of its interplay with other organisational and social practices.

As suggested by Hopwood (1987, p. 231):

“The significances attached to accounting have been shown in the process of their reformulation. The craft has been seen as becoming embedded in different organisational configurations and serving very different organisational functions in the process of its change. The mobilising vehicles for these changes have been seen as residing in a very diverse number of organisational processes and practices and, not least, in accounting itself.”

The social practices also are of great influence to the practices of accounting. The wider socio-economic and regulatory environments, for instance, are the sources that impinge upon and change the accounting practices, while the change in accounting contributes to the changes in social-economic or regulatory environment. For example, Burchell et al., (1985) summarise the interdependency between accounting and the social in relation to the value added event in the UK:

“[T]he space which the value added event occupied is seen to be comprised of a very particular field of relations which existed between certain institutions, economic and administrative processes, bodies of knowledge, systems of norms and measurement, and classification techniques. We have called such a field an accounting constellation. It was in the network of intersecting practices, processes and institutions which constituted this constellation that value added was caught and it was this network that governed how it might function as a calculative, administrative and discursive practice.” (p. 400)

They further argue:

“Within this network accounting can be found providing the conditions of existence of certain social relations, such as helping to define the rights, duties and field of action of certain agents and playing a role in the specification of both organizational boundaries and intra-organizational segments. Accounting, so seen, is intimately implicated in the construction and facilitation of the contexts in which it operates.” (p.402)

In the present study, the constitutive role of accounting is to be understood alongside the meaning or “what accounting is” to the participants of the practice. For instance, in

managing dual accountability, accounting is the practical and general understandings that are embedded in the strategic actions of the organisational members. Within this meaning, accounting shapes the organisational practices, for example, through the presentation of the delivery performance and backorder amount as part of the practices of the dialogue session. On the other hand, the concession agreement represents the social influence on the practices of accounting. For instance, the agreement specifies certain conditions - such as setting the minimum stock level for essential pharmaceutical items - that influence the executive in the supply chain department in placing some of the stock in the suppliers' warehouse to meet the stock sufficiency ratio while controlling stockholding cost.

## **7.2 Research Contribution**

This thesis offers theoretical insight into everyday practices of accounting, accountability and strategising in an organisation. The context of this study is illustrative of experiences and difficulties faced by a privatised organisation in its struggle to manage dual accountability. The study responds to the call for more research in understanding the relationship between accounting and strategy (Chua, 2007) as part of everyday practices (Ahrens and Chapman, 2004). Contrary to the notion that accounting is mainly associated with the exercise of hierarchical accountability, the case illustrates how an understanding of accounting has been enacted through hierarchical and socialising accountability. The practical and general understandings of accounting provide the source of knowledge of

how to carry out the practice. The contribution of this study to the extant literatures is explained in the following paragraphs.

Firstly, it presents an analysis of the interdependence between hierarchical and socialising accountability in everyday practices in the organisation. The study argues that the coexistence of both types of accountability occur as a result of the on-going process of strategising. Importantly, it reveals that power is not a pre-requisite to socialising accountability; rather it is the interplay between hierarchical and socialising accountability that promotes the temporal symmetry of powers between the parties in a contractual relationship. This finding offers at least one important implication for our understanding of the relation between hierarchical and socialising accountability. In the absence of power as a pre-requisite to socialising accountability, the possibility of the latter contributing to the practice of accountability would be enhanced. For example, the opportunity for discussion, negotiation and sharing of information would encourage learning, which might reorder the accountability relationship between the parties to a contract. In the context of the present study, it is the combined effect of the ambiguity of the contract and the series of face-to-face negotiations and discussion that lends temporal symmetry of power between the parties to the contract.

The process of the creation of power also encourages the practitioner to strategically employ accounting information and other organisational knowledge (Ahrens and Chapman, 2007; Jorgensen and Messner, 2010). For instance, in order to support the claim to power, the calculative characteristics of accounting are often mobilised along

with the interpretation and sense-making process in the practice of socialising accountability. In the present study, the sharing of statistical information about the delivery performance and sales to the hospitals and clinics during the dialogue sessions is illustrative of the strategic action in demonstrating the accountability hierarchically. Importantly, it aims to enrol the parties affected by the concession contract into believing that the organisation is the only player in the pharmaceutical industry that could handle such an amount of sales and distribution for the government. Accounting information is therefore not only limited to formalising the accountability relationship but is also an important ingredient in the process of strategising.

The focus on strategising and accounting leads to the second contribution of this study which is concerned with the way in which organisational members execute the process of strategising. The present study suggests that strategising is a process shaped by practical intelligibility, i.e. in making a strategic decision the organisational members will choose things that make sense to do within that particular time and space. It has similarity with emergent strategy (Mintzberg, 1994) in the sense that the doer of the strategy makes sense of what are the best actions to take in practice. As such, the similarity lies in the process of learning, in which the doers learn what works in practice. On the other hand, they differ because strategy is shaped by practical intelligibility that in turn is largely informed by the teleoaffective structure which is the property of a practice. Although Schatzki (2002) states that practical intelligibility is an individual phenomenon, he also suggests that, as a member of a given practice, individuals share similar intentions and ends. The teleoaffective structure of the practice therefore shapes what makes sense for

people to do by way of example, instruction and sanctions (Schatzki, 2002, pp.81) or practices actually prefigure what sort of actions are deemed acceptable. The result of strategising is thus to realise the intended strategy, whereas Mintzberg (1994) suggests that emergent strategy is a realised strategy that is not as intended, perhaps due to changes in environment or in personnel that may have different perspectives or motives. As strategising broadens the scope of strategy to include strategic decision-making at operational level, what makes sense to do implies more varieties of an individual's preference, style, knowledge, experience, socialisation and educational background. In the context of managing dual accountability, the role of practical intelligibility facilitates the organisational members' actions in coping with the pressure to meet public accountability and improvement in bottom line.

Adding to the extant studies on accounting in action (Hopwood, 1987; Burchell et al., 1980) forms the basis of the next contribution of this thesis, which shares a similar interest with many scholars in management accounting who are concerned with understanding the role of accounting in organisational change (Burns and Scapens, 2000; Dent, 1991; Abu Kasim Nor Aziah and Scapens, 2007) and stability (Ahrens and Mollona, 2007; Granlund, 2001; Lukka, 2007). It offers a practice perspective in understanding stability and change of accounting practices in an organisation by suggesting that stability and change coexist as a result of on-going interplay between agency and subcultural practices.

While agency is responsible for the meshing of accounting practices with other organisational practices, this thesis also demonstrates that sub-cultural practices prefigure agency and so shape what type of agency is acceptable and what is not. A practice is an array of activities (Schatzki, 2002) ordered by understandings, rules and teleo-affective structures. This thesis has argued that the doings and sayings that are embedded in a practice symbolise the culture in a situated context. For example, the activities in the manufacturing division symbolise the GMP culture because it is through them that we can trace why following GMP guidelines is important and how the participants mobilise accounting with the GMP guidelines in their day-to-day practices. As such, practices are the source of meaning and identity in an organisation. For this reason, similar activities carry different meaning in diverse organisations or even within the same organisation. This study therefore suggests that culture resides in practices, i.e. arrays of activities that are embedded in a practice are culturally expressive.

The existence of subgroups with distinct shared practices in an organisation adds to the diversity of cultural practices or subcultural practices within the same organisation. The comparative ethnography of the warehouse department and the manufacturing division in this case study is illustrative of this point. In the warehouse department where the practices symbolise the public service culture, the agencies of the former warehouse manager are not well received in the first place. With the assistance of face-to-face control, rewards and penalty, the warehouse culture gradually shifts from a functional base to shared responsibility. The implementation of TOPIC not only promotes a model of desirable behaviours, importantly it possesses agency that influences the stability and

change of accounting and warehouse practices. The values promoted by TOPIC, such as teamwork, open communication and passion for excellence, are consistent with the extant bodily doings and sayings in the warehouse department that had become more co-operative and cost-conscious as a result of the agency of the former warehouse manager.

The existence of subgroups within the warehouse department has illustrated how meaning differs according to the practices of each subgroup. In the private team, organisational members directly draw on accounting measures in the performance of their everyday activities while in the government team, the presence of accounting is less felt on the warehouse floor. This, however, does not suggest the absence of accounting from their day-to-day activities, since accounting is implicated in the government team as the end to be pursued, i.e. the overall warehouse target, rather than the means towards that end. Thus, the day-to-day practices in the government team are the outcome of embedding a network of social control, TOPIC values and warehouse targeted performance.

In the manufacturing division, the meaning of everyday activities is shaped by the compliance with Good Manufacturing Practices (GMP) guidelines. As part of the practices in observing these guidelines, everyday activities include various forms of quantitative measurement, such as measuring the weight, thickness, hardness of the tablets and updating the information in Batch Manufacturing Record (BMR). As such, the agency of the finance team in diffusing accounting practices in the manufacturing division is well matched with existing bodily doings and sayings in this division.

The final contribution of this thesis is closely related to that discussed above, i.e. the emphasis it places on the role of accounting as part of the organisational control package (Abernethy and Chua, 1996; Ahrens and Chapman, 2007; Jorgensen and Messner, 2010). The thesis demonstrates how the process of goal alignment works in practice and suggests that this process is reflective of the relations of accounting with other forms of management control in the arrangement bundles of practices within an organisation. The role of human intention is important in this context in the way in which it puts accounting into intentional relations with other forms of control system. The study has illustrated how the meshing of accounting with other forms of management control system provides a platform through which the importance of accounting is articulated. Findings indicate that the potential of a performance measurement system can be influential in changing organisational practices if it is well articulated and mesh with other control systems.

### **7.3 Limitations of the Research**

The main drawback of doing ethnographic study in an organisation is the issue of participant observation. In the anthropological tradition, ethnography is known as a method that is privileged by participant observation (Rosen, 1991; Sanday, 1979) whereby the ethnographers usually study foreign culture by living and participating in the daily lives of their subjects while observing and recording their activities, asking questions and so on. Most organisational ethnographers, on the other hand, choose to conduct their research as mere observers of participants (Rosen, 1991): the latter approach was employed in this study and so potentially limited the amount of detailed

knowledge and awareness of emotional feelings and the political process of work practices that are usually enjoyed by the ethnographer who is an employee with the organisation. Nevertheless, Evans-Pritchard (1976, p.243) has suggested:

“I found it useful if I wanted to understand how and why Africans are doing certain things to do them myself; I had a hut and byre like theirs; I went hunting with them with spear and bow and arrow; I learn to make pots; I consulted Oracles; and so forth. But clearly one has to recognize that there is a certain pretence in such attempts at participation, and people do not always appreciate them. One enters into another culture and withdraws from it at the same time. One cannot really become a Zande or a Nuer or a Bedouin Arab.”

As such, the issue of participation is simply a question of method. More important is the question of methodology, or the approach by which research is conducted, that determines the researcher’s strategies for gaining knowledge (Ahrens and Chapman, 2006). Comaroff (2010, p. 530) comments:

“In this day and age, it seems to me—if not to those who seek panaceas in neoempiricism, cryptoculturalism, or brute localism—the discipline ought to be understood as a praxis: a mode of producing knowledge based on a few closely interrelated epistemic operations that lay the foundation for its diverse forms of theory work, mandate its research techniques, and chart its empirical coordinates. They belong, I stress, to the domain of Methodology, uppercase: the principled practice by which theory and the concrete world are both constituted and brought into discursive relationship with one another. And they are epistemic in that they entail an orientation to the nature of knowledge itself, its philosophical underpinnings and its notions of truth, fact, value. None of them is new, none of them absent from anthropologies past. Together, they underscore the point that our topical horizons sought to be configured by our praxis, not the other way around.”

In the present study the limitation as an observer participant is minimised through the mode of access as an intern. It provides ample opportunity for the author to interact with the organisational members, asking questions and learning their practices. The issue of trust is partly avoided since, being in a less dominant position than the organisational members, an intern would not represent a threat. As the main focus of this study is to understand the way in which accounting is practised and contributes to the process of

managing performance, the ability to learn how the activities are carried out is very important.

Time is the second constraint in this study. Contrary to the traditions in anthropology discipline whereby the ethnographer usually lives several years among the subjects, the author spent only three months in the first phase of the fieldwork and two months in the later phase. For example, the author entered the field when the organisation was in its first year of the full implementation of KPIs and exited the first phase of the fieldwork before their annual performance review, therefore missing the opportunity to observe the whole process of performance appraisal which might have revealed important aspects of performance management systems in the organisation. Although there was opportunity to discuss with the selected organisational members their experience during the first year performance appraisal, to a certain extent the author had to rely on the experience and selected memories of the interviewees.

Despite the time constraint, the author believes that she has accumulated sufficient information and experience in order to make sense of what she observed in the field. There is no doubt that the longer the ethnographer spends in the field, more detailed knowledge is possible; however, it is also naïve to believe that the ethnographer would be able to capture every single event of importance to her research even if she had an opportunity to stay longer in the field (Van Maanen, 1979). Further, while an ethnographer in an organisation has the advantage of familiarity with the language and activities in that organisation through exposure to organisational activities such as

consultancy and participation in professional accounting bodies, the anthropologist needs to spend a considerable time in learning the language and gaining familiarity with the activities of the natives they are studying (Ahrens and Chapman, 2006).

#### **7.4 Opportunities for Future Research**

This thesis has discussed the everyday accounting practices in an organisation. The role of culture, strategising and non-accounting forms of organisational control mix has been suggested as the important influence in the way accounting is practised in the context of this study. Certainly the terms “culture”, “strategising” and “organisational control mix” already reflects an enormous opportunity for future research, and when these aspects are linked to the practices of accounting, our understanding of accounting in action will be enriched. The present study has illustrated the role of human and non-human agency and subcultural practices in influencing the coexistence of stability and change in accounting practices in an organisation. Further study of the relationship between human and non-human agency might draw our attention to such questions as how resilient the non-human agencies might be to the change in human intention. Schatzki argues that non-humans possess agency as a result of human intention - for example, a discourse possesses agency as a result of the intention of the human as doer, i.e. the speaker, writer, reader; however, a discourse might be less resilient to the changes of the intention of the practitioner. For instance, the change of the organisational personnel might bring a new interpretation to the role of non-human agency, but the changes in the interpretation might not easily integrate with the existing role of the non-human agents in an organisation. The change of

the interpretation of the discourse of KPIs from being merely about financial performance to a broader interpretation as a tool for achieving goal alignment by the new management team in the present study would not be influential without the assistance of TOPIC as a platform to articulate its importance. Future studies might gather other factors that may mediate the relationship between human and non-human agency.

The interplay between hierarchical and socialising accountability offers significant grounds for future investigation. For example, future study may explore the circumstances under which the relationship between hierarchical and socialising accountability potentially reverses the accountability relationship between the parties to a contract. How enabling would the practices of accounting be as a result of the interplay between hierarchical and socialising accountability? These questions potentially advance our knowledge on the reciprocal relationship between hierarchical and socialising accountability and the potential effects of such a relationship on accounting practices.

Another possible outlook for future research is to develop our understanding of the practice of goal alignment. The present study has illustrated the relation between accounting and other control systems in the process of goal alignment. The result suggests that accounting is influential in encouraging goal alignment when it is well articulated by other forms of control system. This invites the collection of further empirical evidence to ascertain whether accounting is a practice that is more powerful as a set of discourses than as a technical device. To what extent do the practices of accounting in the process of goal alignment in an organisation correspond to the wider

public discourses on the role of accounting in, for instance, the industry, the professional community or the employee union?

In summary, the present study has attempted to add to the existing literature a discussion on the ways in which accounting is implicated in the process of managing performance. This thesis has demonstrated how managing performance involves the interplay between accounting and diverse organisational and social practices. Such an intersection is unavoidable as the internal affairs of the organisation are not totally detached from wider social practices (Hopwood, 1983). The role of accounting in the practices of managing dual accountability, in the provision of stability and change in accounting practices, and in the way in which accounting is implicated in the process of goal alignment, is illustrative of how managing performance is a practice that makes the most of the constitutive role of accounting. Although as a form of control system it has been designed with certain features that enable it to be employed uniformly across the organisation, it is as a result of its practices that the meaning, or “what accounting is”, is determined within the organisation. The meaning of accounting will determine how it is useful in the practices of managing performance. For instance, in the organisation observed in this case study, the way in which accounting is useful in the logistic division is not quite the same as in the manufacturing division. In the former, accounting is beneficial in providing a general understanding of the process of strategising in managing dual accountability, while in the manufacturing division accounting is valuable as the end to be pursued and as a practice that introduces new meaning to the GMP culture. The historical background, the industry regulations, the socialisation at work and the role of

intentions are among the forces that influence the heterogeneous practices of accounting in this organisation. Such influences shape the activities, which in turn prefigure the process of change within the organisation. The everyday practice of accounting is not mundane; it is an on-going achievement (Ahrens and Chapman, 2007) and can be adjusted continuously in response to new understandings, rules and ends.

## REFERENCES

Abu Kasim Nor-Aziah., & Scapens, R. W. (2007). Corporatisation and accounting change: The role of accounting and accountants in a Malaysian public utility. *Management Accounting Research*, 18, 209–247.

Abernethy, M. A., & Chua, W. F. (1996). A field study of control system “redesign”: the impact of institutional processes on strategic choice. *Contemporary Accounting Research*, 13(2), 569-606.

Ahrens, T. (1996a). Styles of Accountability. *Accounting, Organizations and Society*, 21(2/3), 139-173.

Ahrens, T. (1996b). Financial and Operational Modes of Accountability: Differing Accounts of British and German Managers. In R. Munro, & J. Mouritsen (Eds.), *Accountability: Power, Ethos & the Technologies of Managing* (pp. 149- 163). London: International Thomson Business Press.

Ahrens, T. (1997). Talking accounting: an ethnography of management knowledge in British and German brewers. *Accounting, Organizations and Society*, 22(7), 617-637.

Ahrens, T., & Chapman, C. S. (2002). The structuration of legitimate performance measures and management: day-to-day contests of accountability in a U.K. restaurant chain. *Management Accounting Research*, 13, 151-171.

Ahrens, T., & Chapman, C. S. (2004). Accounting for Flexibility and Efficiency: A Field Study of Management Control Systems in a Restaurant Chain. *Contemporary Accounting Research*, 21(2), 271-301.

Ahrens, T., & Chapman, C. S. (2006). Doing qualitative field research in management accounting: positioning data to contribute to theory. *Accounting, Organizations and Society*, 31, 819-841.

Ahrens, T., & Chapman, C. S. (2007). Management accounting as practice. *Accounting, Organizations and Society*, 32, 1-27.

Ahrens, T., & Dent, J. F. (1998). Accounting and organization: realizing the richness of field research. *Journal of Management Accounting Research*, 10, 1-39.

Ahrens, T., & Mollona, M. (2007). Organisational control as cultural practice- a shop floor ethnography of a Sheffield steel mill. *Accounting, Organizations and Society*, 32, 305-331.

Andon, P., Baxter, J., & Chua, W. F. (2007). Accounting change as relational drifting: A field study of experiments with performance measurement. *Management Accounting Research, 18*(2), 273–308.

Atkinson, P., & Coffey, A. (2004). Analysing Documentary Realities. In D. Silverman (2nd Ed.), *Qualitative Research, Theory, Method and Practice* (pp. 56-75). London: Sage publication.

Atkinson, A. A., & Shaffir, W. (1998). Standards for field research in management accounting. *Journal of Management Accounting Research, 10*, 41-68.

Barnes, B. (2001). Practice as collective action. In T.R. Schatzki, K. Knorr Cetina, & E. von Savigny (Eds.), *The practice turn in contemporary theory* (pp. 17–28). London: Routledge.

Bhimani, A. (2003). A study of the emergence of management accounting system ethos and its influence on perceived system success. *Accounting, Organizations and Society, 28*(6), 523-548.

Bloor, M. (1978). On the analysis of observational data: a discussion of the worth and uses of inductive techniques and respondent validation. *Sociology, 12*, 545-552.

Bracci, E. (2009). Autonomy, responsibility and accountability in the Italian school system. *Critical Perspectives on Accounting, 20*, 293–312.

Briers, M. & Chua, W. F. (2001). The role of actor-networks and boundary objects in management accounting change: a field study of an implementation of activity-based costing. *Accounting, Organizations and Society, 26*, 237-269.

Burchell, S., Clubb, C., & Hopwood, A. G. (1985). Accounting in its social context: towards a history of value-added in the United Kingdom. *Accounting, Organizations and Society, 10*(4), 381–413.

Burchell, S., Clubb, C., Hopwood, A. G., Hughes, J., & Nahapiet, N. (1980). The roles of accounting in organizations and society. *Accounting, Organizations and Society, 5*(1), 5–27.

Burns, J., & Scapens, R. W. (2000). Conceptualizing management accounting change: an institutional framework. *Management Accounting Research, 11*, 3-25.

Busco, C., Riccaboni, A., & Scapens, R. W. (2006). Trust for accounting and accounting for Trust. *Management Accounting Research, 17*, 11-41.

Busco, C., Quattrone, P., & Riccaboni, A. (2007), Management accounting: issues in interpreting its nature and change, *Management Accounting Research, 18*(2), 125-149.

- Busco, C., Giovannoni, E., & Scapens, R. W. (2008). Managing the tensions in integrating global organisations: The role of performance management systems. *Management Accounting Research*, 19(2), 103-125.
- Chapman, C. S. (1998). Accountants in Organisational Networks. *Accounting, Organizations and Society*, 23(8), 737-766.
- Chua, W. F. (1986). Radical developments in accounting thought. *The Accounting Review*, 61(4), 601-632.
- Chua, W. F. (1995). Experts, networks and inscriptions in the fabrication of accounting images: A story of the representation of three public hospitals. *Accounting, Organizations and Society*, 20(2-3), 111-145.
- Chua, W. F. (2007). Accounting, measuring, reporting and strategising – Re-using verbs: A review essay. *Accounting, Organizations and Society*, 32, 487-494.
- Clifford, J. (1983). On ethnographic authority. *Representations*, 2, 118-146.
- Clifford, J. (1986). Introduction: Partial Truths. In J. Clifford, & G. E. Marcus, *Writing Culture, the Poetics and Politics of ethnography* (pp. 1-26). Berkeley: University of California Press, Ltd.
- Collier, P. M. (2005). Governance and the quasi-public organization: a case study of social housing. *Critical Perspectives on Accounting*, 16, 929–949.
- Comaroff, J. (2010). The end of anthropology, again: on the future of an in/discipline. *American Anthropologist*, 112(4), 524-538.
- Conrad, L., & Sherer, M. (2001). Analysis of Changes in External Accountability and Accounting in Privatized Industries: A Case Study of British Gas. *Public Administration*, 79(3), 511-532.
- Creswell, J. W. (2003). *Research design: qualitative, quantitative, and mixed methods approaches* (2<sup>nd</sup> ed.). London: Sage.
- Czarniawska, B. J. (1991). Culture is a medium of life. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, & J. Martin (Eds.), *Reframing Organizational Culture* (pp. 285-297). London: Sage.
- Dambrin, C., Lambert, C., & Sponem, S. (2007). Control and change-analysing the process of institutionalisation. *Management Accounting Research*, 18, 172-208.

- Dent, J. F. (1991). Accounting and organizational cultures: A field study of the emergence of a new organizational reality. *Accounting, Organizations and Society*, 16(8), 705-732.
- Dossi, A. & Patelli, L. (2008). The decision-influencing use of performance measurement systems in relationships between headquarters and subsidiaries, *Management Accounting Research*, 19, 126-148.
- Dyer, W. G., & Wilkins, A. L. (1991). Better stories, not better constructs, to generate better theory: A rejoinder to Eisenhardt. *The Academy of Management Review*, 16(3), 613-619.
- Eisenhardt, K. M. (1989). Building theories from case study research. *The Academy of Management Review*, 14(4), 532-550.
- Evans-Pritchard, E. E. (1937). *Witchcraft, oracles and magic among the Azande*. Oxford: The Clarendon Press.
- Evans-Pritchard, E. E. (1956). *Nuer religion*. Oxford: The Clarendon Press.
- Evans-Pritchard, E. E. (1976). *Witchcraft, oracles and magic among the Azande* (abridged with an introduction by Eva Gillies ed.). Oxford: Clarendon.
- Ezzamel, M., Robson, K., Stapleton, P., & McLean, C. (2007). Discourse and institutional change: 'Giving accounts' and accountability. *Management Accounting Research*, 18, 150-171.
- Feldman, S. P. (1986). Management in context: an essay on the relevance of culture to the understanding of organizational change. *Journal of Management Studies*, 23(6), 587-607.
- Frow, N., Marginson, D., & Ogden, S. (2005). Encouraging strategic behaviour while maintaining management control: Multi-functional project teams, budgets, and the negotiation of shared accountabilities in contemporary enterprises. *Management Accounting Research*, 16, 269-292.
- Geertz, C. (1973). *The interpretation of cultures*. New York: Basic Books.
- Geertz, C. (1987). From the native's point of view: on the nature of anthropological understanding. In M. T. Gibbons (Eds.), *Interpreting politics* (pp.133-147). Oxford: Basil Blackwell.
- Gendron, Y., Cooper, D. J., & Townley, B. (2007). The construction of auditing expertise in measuring government performance. *Accounting, Organizations and Society*, 32, 101-129.

- Goldbart, J., & Hustler, D. (2005). Ethnography. In B. Somekh & C. Lewin (eds), *Research methods in the social sciences* (pp. 16-23), London: Sage.
- Granlund, M. (2001). Towards explaining stability in and around management accounting systems. *Management Accounting Research*, 12, 141–166.
- Hakanson, L. (2007). Creating knowledge: the power and logic of articulation. *Industrial and Corporate Change*, 16(1), 51–88.
- Hansen, A., & Mouritsen, J. (2005). Strategies and organizational problems: constructing corporate value and coherence in balanced scorecard processes. In C. S. Chapman (Ed.), *Controlling strategy: Management, accounting, and performance measurement* (pp.125–150). New York; Oxford: Oxford University Press.
- Helden, G. J., Meer-Kooistra, J., & Scapens, R. W. (2001).Co-ordination of internal transactions at Hoogovens steel: struggling with the tension between performance-oriented business units and the concept of an integrated company. *Management Accounting Research*, 12(3), 357-386.
- Holloway, J., & Thorpe, R. (2008). A Multidisciplinary Approach to Performance Management. In R. Thorpe, & J. Holloway (Eds.), *Performance management: multidisciplinary perspectives* (pp.3-12). Houndmills, Basingstoke, Hampshire; New York : Palgrave Macmillan.
- Hood, C. (1991). A Public Management For All Seasons?. *Public Administration*, 69, 3-19.
- Hopper, T., & Powell, A. (1985). Making sense of research into the organizational and social aspects of management accounting: A review of its underlying assumptions. *Journal of Management Studies*, 22(5), 429-465.
- Hopwood, A. G. (1983). On trying to study accounting in the contexts in which it operates. *Accounting, Organizations and Society*, 8(2/3), 287–305.
- Hopwood, A. G. (1987). The archaeology of accounting systems. *Accounting, Organizations and Society*, 12(3), 207-234.
- Hopwood, A. G. (1994). Accounting and everyday life: an introduction. *Accounting, Organizations and Society*, 19(3), 299-301.
- Jarzabkowski, P., Balogun, J., & Seidl, D. (2007). Strategizing: the challenges of a practice perspective. *Human Relations*, 60(1), 5-27.

- Johansson, I., & Baldvinsdottir, G. (2003). Accounting for trust: some empirical evidence. *Management Accounting Research*, 14, 219-234.
- Johnson, P., & Duberley, J. (2000). *Understanding management research: an introduction to epistemology*. London: Sage.
- Johnson, H. T., & Kaplan, R. S. (1987). *Relevance lost: the rise and fall of management accounting*. Boston, MASS: Harvard Business School Press.
- Jorgensen, B., & Messner, M. (2010). Accounting and Strategising: A case study from new product development. *Accounting, Organizations and Society*, 35, 184-204.
- Kaplan, R. S., & Norton, D. P. (1992). The Balanced Scorecard –Measures That Drive Performance, *Harvard Business Review*, 71-79.
- Kaplan, R. S., & Norton, D. P. (1996). *The balanced scorecard: translating strategy into action*. Boston, Mass: Harvard Business School Press.
- Kirk, K., & Mouritsen, J. (1996). Spaces of Accountability: systems of accountability in a multinational firm. In R. Munro, & J. Mouritsen (Eds.), *Accountability: Power, Ethos & the Technologies of Managing* (pp. 245-260). London: International Thomson Business Press.
- Kurunmaki, L. (1999). Professional vs Financial Capital in the field of health care – struggles for the redistribution of power and control. *Accounting Organizations and Society*, 24, 95-124.
- Langley, A. (1999). Strategies for theorizing from process data. *Academy of Management Review*, 24(4), 691-710.
- Lapsley, I. (1993). The accounting and organisational consequences of privatisation and regulation. *Financial Accountability and Management*, 9(2), 69-73.
- Latour, B. (2005). *Reassembling the social: an introduction to actor-network-theory*. Oxford; New York: Oxford University Press.
- Lewis, M. (1989). *Liar's Poker*. London: Coronet.
- Lofland, J., & Lofland, L. H. (1995). *Analyzing social settings: a guide to qualitative observation and analysis*, (3<sup>rd</sup> Eds.). Belmont, CA: Wadsworth Publishing.
- Lukka, K. (2007). Management accounting change and stability: Loosely coupled rules and routines in action. *Management Accounting Research*, 18, 76-101.

Macintosh, N. B., & Daft, R. L. (1987). Management control systems and departmental interdependencies: An Empirical Study. *Accounting, Organizations and Society*, 12(1), 49-61.

Malmi, T. (1997). Towards explaining activity-based costing failure: accounting and control in a decentralized organization. *Management Accounting Research*, 8, 459-480.

Marcus, M. L., & Pfeffer, J. (1983). Power and the design and implementation of accounting and control systems. *Accounting, Organizations and Society*, 8(2/3), 205-218.

Martin, J. & Siehl, C. (1983). Organizational culture and counterculture: an uneasy symbiosis. *Organizational Dynamics*, 12(2), 52-64.

McKinnon, J. (1988). Reliability and validity in field research: some strategies and tactics. *Accounting, Auditing and Accountability Journal*, 1(1), 34-54.

Meer-Kooistra & Scapens, R. W. (2008). The governance of lateral relations, *between and within* organization. *Management Accounting Research*, 19(4), 365-384.

Miller, P., & O'Leary, T. (1987). Accounting and the construction of the governable person. *Accounting, Organizations and Society*, 12(3), 235-265.

Miller, P., Hopper, T., & Laughlin, R. (1991). The new accounting history: an introduction. *Accounting, Organizations and Society*, 16(5/6), 395-403.

Miller, P. (1991). Accounting innovation beyond the enterprise: Problematizing investment decisions and programming economic growth in the U.K. in the 1960s. *Accounting, Organizations and Society*, 16(8), 733-762.

Miller, P., & Napier, C. (1993). Genealogies of calculation. *Accounting, Organizations and Society*, 18(7-8), 631-647.

Miller, P., & O'Leary, T. (1994). Accounting, "economic citizenship" and the spatial reordering of manufacture. *Accounting, Organizations and Society*, 19(1), 15-43.

Mintzberg, H. (1994). *The rise and fall of strategic planning*. New York; London: Prentice-Hall.

Mohr, L. B. (1973). The Concept of Organizational Goal. *The American Political Science Review*, 67(2), 470-481.

Morgan, G., & Smircich, L. (1980). The case of qualitative research. *Academy of Management Review*, 5(4) 491-500.

- Mouritsen, J. (1999). The flexible firm: Strategies for a subcontractor's management control. *Accounting, Organizations and Society*, 24(1), 31-55.
- Munro, R., & Mouritsen, J. (1996). *Accountability: Power, Ethos & the Technologies of Managing* (Eds.). London: International Thomson Business Press.
- Oakes, L. S., Townley, B., & Cooper, D. J. (1998). Business Planning as Pedagogy: Language and control in a changing Institutional Field. *Administrative Science Quarterly*, 43(2), 257-292.
- O'Dwyer, B., & Unerman, J. (2008). The Paradox of Greater NGO Accountability: A Case Study of Amnesty Ireland. *Accounting, Organizations and Society*, 33, 801-824.
- Ogden, S. G. (1995). Transforming Frameworks of Accountability: The Case of Water Privatisation. *Accounting, Organizations and Society*, 20(2/3), 193-218.
- Okely, J. (1994). Thinking Through Fieldwork. In A. Bryman & R. G. Burgess (Eds.), *Analyzing qualitative data* (pp. 18-34). London: Routledge.
- Ortner, S. B., (1984). Theory in anthropology since the sixties. *Comparative Studies in Society and History*, 26(1), 126-166.
- Otley, D. (1999). Performance management: a framework for management control systems research. *Management Accounting Research*, 10(4), 363-382.
- Otley, D. (2008). Performance Management: A Framework for Analysis. In R. Thorpe & J. Holloway (Eds.), *Performance Management, Multidisciplinary Perspectives* (pp. 24-39). Houndmills, Basingstoke, Hampshire; New York : Palgrave Macmillan.
- Parmenter, D. (2010). *Key performance indicators: developing, implementing, and using winning KPIs* (2<sup>nd</sup> Ed.). Hoboken, N.J: John Wiley & Sons.
- Patton, M. Q. (2002). *Qualitative Research and Evaluation Methods* (3<sup>rd</sup> ed.). Thousand Oaks, California; London: Sage.
- Preston, A. M. (1986). Interactions and arrangements in the process of informing. *Accounting, Organizations and Society*, 11(6), 521-540.
- Preston, A. M., Cooper, D. J., & Coombs, R. W. (1992). Fabricating budgets: a study of the production of management budgeting in the national health service. *Accounting, Organizations and Society*, 17(6), 561-593.
- Prior, L. (2004). Doing Things with Documents. In D. Silverman (2<sup>nd</sup> ed.), *Qualitative research: theory, method and practice* (pp. 76-94). London: Sage Publications.

Roberts, J., & Scapens, R. (1985). Accounting systems and systems of accountability -- understanding accounting practices in their organisational contexts. *Accounting, Organizations and Society*, 10(4), 443-456.

Roberts, J. (1990). Strategy and Accounting in a U.K. Conglomerate. *Accounting, Organizations and Society*, 15(1/2), 107-126.

Roberts, J. (1991). The possibilities of accountability. *Accounting, Organizations and Society*, 16(4), 355-368.

Roberts, J. (1996). From Discipline to Dialogue: Individualizing and Socializing Forms of Accountability. In R. Munro & J. Mouritsen (Eds.), *Accountability: Power, Ethos & the Technologies of Managing* (pp. 40-61). London: International Thomson Business Press.

Roberts, J. (2001). Trust and Control in Anglo-American Systems of Corporate Governance: The Individualizing and Socializing Effects of Processes of Accountability. *Human Relations*, 54, 1547-1572.

Rosaldo, R. (1993). *Culture and Truth, the Remaking of Social Analysis*. London: Routledge.

Rosen, M. (1991). Coming to terms with the field: understanding and doing organizational ethnography, *Journal of Management Studies*, 28, 1-24.

Sanday, P. R. (1979). The Ethnographic Paradigm(s), *Administrative Science Quarterly*, 24(4), 527- 538.

Scapens, R. W., & Roberts, J. (1993). Accounting and control: a case study of resistance to accounting change. *Management Accounting Research*, 4(1), 1-32.

Schatzki, T. R. (1997). Practices and Actions: A Wittgensteinian Critique of Bourdieu and Giddens. *Philosophy of the Social Sciences*, 27, 283-308.

Schatzki, T. R. (2001). Introduction. Practice Theory. In T. R. Schatzki, K. Knorr Cetina, & E. von Savigny (Eds.), *The practice turn in contemporary theory* (pp 1-14). London: Routledge.

Schatzki, T. R. (2002). *The site of the Social: a philosophical account of the constitution of social life and change*. University Park, PA: Pennsylvania State University Press.

Schatzki, T. R. (2005). Peripheral Vision: The Sites of Organizations. *Organization Studies*, 26(3), 465-484.

Silverman, D. (2001). *Interpreting Qualitative Data, Methods for Analysing Talk, text and Interaction* (2<sup>nd</sup> Ed). London: Sage Publications.

- Siti-Nabiha, A. K., & Scapens, R. W. (2005). Stability and change: an institutionalist study of management accounting change. *Accounting, Auditing and Accountability Journal*, 18(1), 44–73.
- Smircich, L. (1983). Concepts of Culture and Organizational Analysis. *Administrative Science Quarterly*, 28(3), 339-358.
- Strauss, A. L., & Corbin, J. (1998). *Basics of qualitative research: techniques and procedures for developing grounded theory*. Thousand Oaks, CA; London: Sage.
- Stringer, C. (2007). Empirical performance management research: Observations from AOS and MAR. *Qualitative Research in Accounting & Management*, 4(2), 92-114.
- Thompson, J. D. (1967). *Organizations in action; social science bases of administrative theory*. New York: McGraw Hill.
- Thorpe, R., & Beasley, T. (2008). The Characteristics of Performance Management Research-Implications and Challenges. In R. Thorpe & J. Holloway (Eds), *Performance management, multidisciplinary perspectives* (pp. 13-23). Houndmills, Basingstoke, Hampshire; New York: Palgrave Macmillan.
- Tomkins, C., & Groves, R. (1983). The everyday accountant and researching his reality. *Accounting, Organizations and Society*, 8(4), 361-374.
- Vaivio, J. (1999). Examining “The Quantified Customer”. *Accounting, Organizations and Society*, 24, 689–715.
- Vaivio, J. (2006). The accounting of “The Meeting”: examining calculability within a “Fluid” local space. *Accounting, Organizations and Society*, 31, 735-762.
- Van Maanen, J. (1979). The Fact of Fiction in Organizational Ethnography. *Administrative Science Quarterly*, 24(4), 539-550
- Van Maanen, J. (1988). *Tales of the Field: On writing ethnography*. Chicago; London: University of Chicago Press.
- Van Maanen, J., & Kunda, G. (1989). “Real Feelings”: emotional expression and organizational culture. In L. L. Cummings & B. M. Staw (Eds.), *Research in Organizational Behavior* (pp. 43-103). Greenwich, CT: JAI Press.
- Van Maanen, J., & Barley, S. R. (1985). Cultural Organization: fragments of a theory. In P. Frost, L. Moore, M. Louis, C. Lundberg & J. Martin (Eds.), *Organizational Culture* (pp.31-54). Beverly Hills, California: Sage.

Warren, C. A. B. (2001). Qualitative Interviewing. In J. F. Gubrium & J. A. Holstein (Eds.), *Handbook of interview research: context & method* (pp.83-99). Thousand Oaks, Calif: Sage Publications.

Weick, K. E. (1995). What Theory is not, theorizing is. *Administrative Science Quarterly*, 40, 385-390.

Weick, K. E. (2007). The generative properties of richness. *Academy of Management Journal*, 50(1), 14–19.

Whittington, R. (2003). The work of strategizing and organizing: for a practice perspective. *Strategic Organization*, 1, 117–125.

Yin, R. K. (2003). *Case study research: design and methods* (3rd ed.). Thousand Oaks, CA: Sage.

## Appendix 1

### Fieldwork Activities (September –November 2008)

#### A. Interviews

No	Interviewees' Position	Duration (Minutes)	Recorded (Y/N)
1	Managing Director	50	Y
2	Senior General Manager-Finance	129	Y
3	Senior General Manager-Manufacturing	60	N
4	General Manager-Operation Finance	38	Y
5	General Manager-Organisational Development	20	Y
6	Deputy General Manager-Finance	27	Y
7	Deputy General Manager-Business Development	81	Y
8	Deputy General Manager-Logistic	40	Y
9	Senior Manager -Compliance	78	Y
10	Senior Manager-Medical Equipment	42	Y
11	Senior Manager- Corporate Communication	370	Y
12	Senior Manager - Production	86	Y
13	Senior Manager – Finance-Manufacturing	71	Y
14	Senior Manager-Operation Finance	32	Y
15	Senior Manager-Sales and Marketing	90	Y
16	Manager-Business Development	254	Y
17	Manager-Product Re-engineering	25	Y
18	Manager-Customer Service	104	Y
19	Manager –Supply Chain	50	N
20	Manager-Regulatory	47	Y
21	Manager-Finance-Manufacturing	45	N
22	Manager-Quality Assurance	30	N

23	Manager- Sales and Marketing	45	N
24	Manager-Production	50	N
25	Manager-Northern Branch	60	N
26	Manager- East Branch 1	40	Y
27	Manager-East Branch 2	34	Y
28	Assistant Manager – Operation Finance	25	N
29	Assistant Manager-Warehouse	70	N
30	Assistant Manager-Organisational Development	42	Y
31	Assistant Manager-Engineering	25	Y
32	Assistant Manager-Organisational Development-Manufacturing	30	N
33	Assistant Manager-Corporate Communication	50	N
34	Senior Executive – Organisational Development	116	Y
35	Senior Executive-Supply Chain	30	N
36	Senior Executive-Customer Service	45	N
37	Senior Executive- Engineering	45	N
38	Senior Executive-Production	50	N
39	Senior Executive-Organisational Development-Manufacturing	60	N
40	Senior Executive- Business Development	60	N
41	Executive Supply Chain	40	N
42	Executive Supply Chain	50	N
43	Executive-Warehouse	60	N
44	Executive Warehouse	60	N
45	Team Leader-Sales and Marketing	60	N

## B. Observation

### List of Observation \*

No	Event	Duration (Days/Hour)	Location
1	Group Management Meeting	5 hour	Head Office
2	Budget Meeting	6 hour	Manufacturing Division

3	Workshop	4 hour	Head Office
4	Meeting With Consultant	2 hour	Manufacturing
5	Presentation on Six Sigma Project	2 hour	Group Training Centre
6	Small Group Activities	2 hour	Manufacturing
7	Corporate Social Responsibility Event	3 hour	Head Office
8	Presentation by Consultant for Audit from Foreign Country	1 hour	Manufacturing
9	Weekly Meeting-Branch B	1 hour	East Coast
10	Staff Assembly	1 hour	Manufacturing
11	Daily Production Meeting -10 days	10 hours	Manufacturing
12	Visit to Private Hospital and GPs	2 days	Hospitals and Clinics
13	Meeting between Manufacturing and Supply Chain	1 hour	Head Office
14	Monthly Management Meeting	2 hour	Manufacturing
15	Finance Department Meeting	1 hour	Manufacturing
16	Backorder Meeting	3 hour	Manufacturing

- **This list does not include observation of daily operational activities in warehouse and production departments.**

### C. Review of Documents

#### List of Documents Reviewed

No	Type of Documents	Location
1	Minutes of Board of Directors 2002-2008	Head Office
2	Internal Audit Report 2008	Manufacturing
3	Annual Reports	Head Office
4	Minutes of Daily Production Meeting	Manufacturing
5	Sites Document	Manufacturing
6	Monthly Internal Bulletin	Head Office
7	Batch Manufacturing Report (BMR)	Manufacturing
8	Standard Operating Procedures-Warehouse Department	Head Office
9	Documents for TOPIC workshop and PEPSI workshop	Head Office
10	Documents on ROI Training	Manufacturing

11	Key Operating Performance Indicators Report (KOPI) and PEPSI Report	Head Office
----	---	-------------

### Fieldwork Activities (September –November 2009)

#### D. Interviews

No	Interviewees' Position	Duration (Minutes)	Recorded (Y/N)
1	Senior General Manager-Logistic	90	Y
2	Senior General Manager-Manufacturing	61	Y
3	Deputy General Manager-Logistic	99	Y
4	General manager Human Resource	38	Y
5	Senior Manager - Production	38	Y
6	Deputy Senior Manager-Human Resource	109	Y
7	Manager-Finance- Sales and Marketing	25	Y
8	Assistant Manager-Warehouse	60	Y
9	Senior Executive-Manufacturing	59	Y
10	Senior Executive-Logistic	38	Y
11	Officer Procurement and Privatisation Department Ministry of Health	49	Y
12	Deputy Head of Pharmacist General Hospital	67	Y
13	Senior Officer Procurement and Privatisation Department Ministry of Health	90	Y
14	Deputy Division Secretary Officer Procurement and Privatisation Department Ministry of Health	60	N
15	Senior Officer Pharmaceutical Control Regulatory Body	60	N

### **E. Observation**

#### **List of Observation**

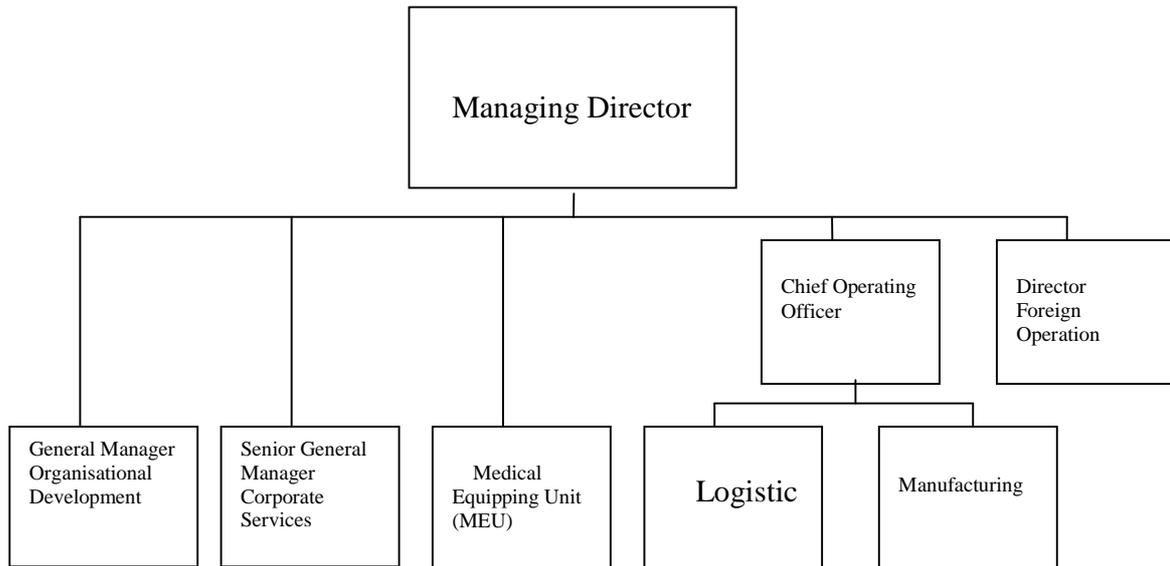
<b>No</b>	<b>Event</b>	<b>Duration (Days/Hour)</b>	<b>Location</b>
1	Budget Meeting Sales and Marketing	3 hours	Sale and Marketing Office
2	Manufacturing-Tableting Line	3 days	Manufacturing Division

### **F. Review of Documents**

#### **List of Documents Reviewed**

<b>No</b>	<b>Type of Documents</b>	<b>Location</b>
1	Concession Documents	Logistic
2	Consultant's Proposal On Concession Renewal	Logistic
3	Minutes No 3 of Liason Meeting Between MOH and MNPharma	Head Office

## Organisation's Structure 2008



## **Appendix 2**

### **Interview Guides**

#### **First Phase of Fieldwork (September –November 2008)**

##### **Interview with members of the organisation**

1. Can you tell me about the activities in your department? From these activities, which one is easy to handle and which one is difficult?
2. What is your important task this year?
3. What operational aspects that you think need improvement?
4. How do you see PEPSI?
5. Does it change the way you do things? Can you give me example of how you use PEPSI? If PEPSI does not really change the way you do things, what other measures are in place?
6. How do you compare it with traditional performance measurement system?
7. What do you think of TOPIC?
8. What are the challenges in Pharmaceutical industry?
9. What do you do in dealing with regulators?

#### **Second Phase of Fieldwork (September –November 2009)**

##### **Interview with members of the organisation**

1. Generally, what major transformation that happen since last year?
2. What is the current stage of the implementation of KPIs? What happen on the last year assessment, do you really use KPIs? What was the major problem that needs improvement?
3. What about TOPIC after a year? Is the programme still relevant?
4. What about the status of backorder? What have been done to solve the problem?
5. What is the status of the continuous improvement programme that was initiated last year?
6. I remember at the end of my fieldwork last year, the organisation appointed ABC consultant to help in performance improvement programme? What improvement have they brought to the organisation since then? Do you consider the project as successful? If not why?
7. What is your expectation on the role of the government in particular the division that overseeing the concession business?
8. I interviewed the government officers and they expect that your organisation shall not be just a middle man. What is your view on this?

### **Interview with government officers**

1. What are the government policies in pharmaceutical industry?
2. What do you need to show to the public in term of your oversight of the pharmaceutical industry?
3. What have been done in developing and strengthening pharmaceutical industry in the country?
4. What are the issues dealing with the organisation that needs to be tackled in order to improve its performance?
5. Is there any policy that is specific to MNPharma?
6. How do you see the relationship with MNPharma?
7. What are your expectations and how do you tell your expectation to the organisation?
8. Is there any situation that they fail to perform their accountability? What did you do in such situation?
9. Have you ever been to a dialogue session, and what do you think of it?