PUBLIC SECTOR REFORMS AND MANAGEMENT CONTROL SYSTEMS IN A DEVELOPING COUNTRY: A CASE STUDY OF A LARGE STATE ENTERPRISE IN NIGERIA

by
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Abstract

In recent years, public sector reforms with its New Public Management (NPM) doctrine have attracted the attention of policy makers, practitioners and academics around the world. In the developing countries, these reforms are usually engineered and imposed by the international financial community such as the World Bank and the International Monetary Fund (IMF). One of the main components of NPM is changes in management control systems (MCS) as it is believed that by adopting new MCS better transparency and accountability will ensue. This has resulted in the introduction of private sector accounting practices into the public sectors in order to enhance efficiency, effectiveness and transparency, and also to change the orientation of public sector managers towards managerialism. Using a large state enterprise in Nigeria, hypothetical called Nigeria State Company (NSC) as a case study, this thesis seeks to explore and understand the Nigerian public sector reforms and how these reforms impacts on the MCS of the organisation. The thesis explores the various MCS introduced, the processes of their implementation and how these systems function in the day-to-day decision making of the organisation.

Data were collected using a triangulated approach. Interviews were the main sources of evidence and were conducted with various members of staff of the NSC from different hierarchical levels. Interviews were also conducted with policy makers, consultants, Nigerian privatisation agency staff, and oil industry regulators. The interview evidence was supplemented with informal discussions and document analysis. Various documents on NSC reforms, NSC publications and newspaper articles were analysed. Furthermore, during the case study, various observations were made and recorded. The case findings were analysed and interpreted using actor network theory as a theoretical lens.

Based on the analysis, the thesis found that the public sector reforms in Nigeria and in NSC in particular are as a result of the actions of the network of the heterogeneous group of global/local and human/non-human actors. These actors contributed to shaping and re-shaping the reforms and the MCS. Furthermore, while various MCS were introduced as part of the reforms, the study found that very often these MCS have become subordinated to political control. Thus politics rather than economic criteria dominated decision making in the organisation thereby questioning the relevance of introducing these systems in the first place. Another interesting finding of the thesis is that there was lack of local ownership of the reforms and the MCS as these concepts and ideas were perceived as imported from the west and implemented largely by global consulting firms. There was minimal attempt to adapt them to suit the local context. This in effect resulted in these systems decoupled from day-to-day decision making.

Overall, the findings of the thesis have implications for the design of public sector reforms (including associated accounting systems) in developing countries. The findings of the thesis raise several issues which can assist policy makers and practitioners in making better informed reform decisions. Finally, some theoretical issues are raised which will contribute to future developments in actor-network theory.

Dedication

To my parents, my late Mum Hajiya Maryam and my Dad Alhaji Ali for their love, understanding, support and encouragement.

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List of Abbreviations

ABC	Activity-Based-Costing
AFE	Authority for Expenditure
ANT	Actor Network Theory
BPE	Bureau of Public Enterprises
CPDD	Corporate Planning and Development Division
CU	Consultant Unit Department
TQD	Total Quality Department
GED	Group Executive Directors
GFAD	Group Finance and Accounts Department
GFDC	Ghana Food Distribution Corporation
GMD	Group Managing Director
GGM	Group General Manager
GRP	George Perrin Method
HOD	Head of Department
HR	Human Resources
IMF	International Monetary Fund
IOC	International Oil Companies
JVs	Joint Ventures
KPIs	Key Performance Indicators
MCS	Management Control Systems
MD	Managing Director
NCP	National Council on Privatisation
NCC	Nigerian Commercial Company
NSC	Nigeria State Company

NPM	New Public Management
PBMD	Planning and Budget Monitoring Department
PMS	Performance Measurement System
PPBS	Programme Planning Budgeting System
PRB	Fiji Public Rental Board
SAP	Structural Adjustment Policies
SAP1	System Application and Products in Data Processing
SBUs	Strategic Business Units
TCPC	Technical Committee on Privatisation and Commercialisation
VRA	Volta River Authority Ghana

CHAPTER ONE: INTRODUCTION

1.1 The Thesis Background

In the last twenty years, public sector reforms have attracted the interest and attention of policy makers, practitioners and academics around the world. These reforms have emanated from developed countries such as the United States of America, the United Kingdom, New Zealand and Australia. The governments of these countries have embarked on reforming their public organisations in an attempt to improve economic growth through reduction of operating costs, while maintaining or improving the efficiency and effectiveness of services provided to citizens (Ogden, 1995; 1998; Dorsch and Yasin, 1998). These reforms involve changes in structures, culture, functions and processes of the public organisations - changes such as reducing government funding to public organisations, corporatisation, commercialisation, privatisation, performance contracts, improved financial management, private-sector styles of management, contracting and decentralisation (Boston *et al.*, 1996; Awio *et al.*, 2007; Parker and Gould, 1999; Green-Pedersen, 2002; Larbi, 1999), and are labelled "New Public Management" (Hood, 1991). Thus, New Public Management (hereafter, NPM) reforms were viewed as solutions to the endemic problems affecting the public sector in developed countries (Awio et al., 2007; Humphrey *et al.*, 1993).

The NPM reforms were introduced to developing countries through international organisations such as the World Bank and International Monetary Fund (hereafter, IMF) and international aid agencies. These institutions, together with donor agencies, have encouraged and directed NPM reforms in developing countries through loan conditions, Structural Adjustment Programmes policies (hereafter, SAP), and in some cases had imposed the changes on developing countries (Toye, 1994; Cook and Kirkpatrick, 1995; Olowu, 2002; Uddin and Hopper, 2003; Uddin and Tsamenyi, 2005; Asaolu *et al.*, 2005; Hopper *et al.*, 2009). These international organisations assume that better controls, improved efficiency and effectiveness, and economic development will emerge through the adoption of NPM reforms (Rees, 1985; Uddin and Hopper, 2003; Wickramasinghe *et al.*, 2004). However, earlier studies, such as those of Uddin and Hopper (2003) and Uddin and Tsamenyi (2005) have presented a contrary finding.

Nigeria was an agricultural country at the time of independence. However, oil was discovered in commercial quantity in 1956 (Uche, 1992; Ihonvbere, 1998; Bezanis *et al.*, 2000) and, in the 1970s, it became the main source of revenue for the state. The increase in the international oil price in the 1970s saw the Nigerian government engaging in various expansion projects. Public sector expansion was one of these programmes (Lewis, 2006; Olukoshi, 1995, Abulraheem *et al.*, 1986; Adedipe, 2004; Bangura and Beckman, 1993). In the 1980s, Nigeria experienced a severe economic crisis as a result of a fall in international oil price and the government's inability to secure external loans. The Nigerian government approached the World Bank and IMF for a loan (Bangura, 1987; Olukoshi, 1995). However the loan came with a condition that the government adopts SAP, with public sector reforms as one of its main measure (Umoren, 2001; Obadan and Edo, 2004; Iyoha, 2004; Jega, 2000). These international organisations attributed the crisis to structural distortion as a result of overvalued exchange rates, massive public sector spending, overextension of unproductive and inefficient public enterprises, poor investment management, low productivity of workers and a high wage structure, among other problems (Adesina, 1991). NPM reforms were presented by the World Bank and IMF as a way forward to solve the public sector crisis which would subsequently induce economic development. The reforms were adopted as means for improving the efficiency and effectiveness of the Nigerian public enterprises. Using a case study of a large public sector institution, this thesis investigates the implications of the Nigerian public sector reform for Management Control Systems (hereafter, MCS).

1.2 Aims and Objectives of the Thesis

This study aims to gain an in-depth understanding of the Nigerian public sector reforms, using the Nigeria State Company (hereafter, NSC) as a case study. The NSC is one of the biggest state enterprise in Nigeria. The NSC is charged with overseeing the government’s participation in several areas. The study aims, through the examination of the public sector reforms that took place and are still taking place, to provide an in-depth understanding of how the Nigerian public sector reforms impacts on the NSC’s structure and processes (including its MCS). The NPM reforms advocate the introduction of private sector MCS into the public sector (Hoque, 2005; Parker and Gould, 1999; Hood, 1991, 1995), and this research seeks to examine the roles these techniques play in reforming the NSC. Thus, in summary, the main aim of the research is to provide an in-depth understanding of the NSC reforms and the effect of these reforms on the MCS in the case site. The objectives are summarised below.

- Identify and investigate the role of various actors in the Nigerian public sector reforms.
- Explore and understand the process of public sector reforms in the NSC
- Examine the role of MCS in NSC reforms and how this was shaped and reshaped in the network

1.3 Statement of the Problem and Research Question

The set of doctrines and financial management techniques encapsulated in the NPM reforms of developed nations appears to developing countries as promising solutions to imitate in the search for efficiency, effectiveness and accountability of their public sectors (Awio *et al.,* 2007). The Nigerian government, through the influence of the World Bank and IMF, adopted SAP with NPM reforms as one of its main elements. The NSC, in its search for efficiency and politics embarked on various transformations. These reforms were implemented mainly with the help of external consultants.

It is undeniable that the World Bank and IMF led economic reforms have become common phenomena in developing countries. However, the outcomes of these reforms are not clear. Some studies have suggested positive impacts of these reforms (World Bank 2000; Prizzia, 2001; Tsamenyi *et al.,* 2008a; Uddin and Hopper, 2003; Wickramasinghe *et al.,* 2004) while others have suggested negative impacts (Uddin and Hopper, 2001, 2003; Uddin and Tsamenyi, 2005). There is therefore a need for further country specific and micro level studies to examine the outcome of the public sector reforms in developing countries. In particular the area of how the public sector reforms impact on the internal accounting systems of organisations has not received much research attention.

This research addresses this gap by focusing on understanding the various public sector reforms that took place in Nigeria and how these reforms have been translated in the case organisation (NSC). The study focuses on the NSC reforms processes and within this how MCS are shaped and reshaped. Various MCS have been introduced in the NSC as part of the reforms. The study attempts to understand the processes and outcome of these MCS. This is in line with the recent call for research on MCS in developing countries (Hopper *et al.,* 2003, 2009; Uddin and Hopper, 2001; Hopper and Hoque, 2004). To aid the research, a main research question was put forward as: how are public sector reform networks are built in Nigeria with particular reference to the NSC and how do these networks produce and re-produce MCS? From the main research question, the following sub-questions were designed:

- What is the role of various actors in Nigeria Public Sector Reforms?
- How have the reforms been translated in NSC?
- How has MCS been produced and reproduced in the reforms network?

1.4 Structure of the Thesis

The thesis is divided into nine chapters. Chapter one presents the introduction of the thesis. The chapter is divided into four sections. The first section presents the thesis background. The section is followed by the study aims and objectives. The next part presents the statement of the problem and the research questions, and the final part presents the structure of the thesis.

Chapter two presents the literature review on MCS. The chapter is divided into six sections, beginning with an introduction. The next section conceptualises MCS. The MCS definitions, relevance to organisations and dimensions are all discussed. The following section discusses the elements of MCS, and section four examines MCS change. The literature on MCS in developing countries is analysed in section five, and section six provides a chapter summary and also situates the current thesis within the literature.

Chapter three presents the theoretical framework adopted for the thesis. The chapter is structured into six sections. Following the introduction, the next section examines the origins and foundations of ANT. This section is subsequently followed by a critical evaluation of ANT as a concept. The following section discusses the creation of actor networks as a process of translation and the role of intermediaries in creating networks. Following this, prior management accounting studies on ANT are reviewed in order to provide the justification for the use of ANT in this study. The proposed framework for the study is then presented, followed by the chapter summary.

Chapter four presents the context of the Nigerian environment. The chapter is divided into five sections, beginning with the introduction. The next section analyses the Nigerian social and political context, pre- and post-independence. Section three discusses the Nigerian economy prior to and after the discovery of oil. The economic crises that hit Nigeria and reform attempts were also analysed. The Nigerian public sector and its reforms are examined in section four, and the final section summarises the chapter.

Chapter five presents the methodology and methods adopted for the research. The chapter is divided into seven sections. The first section is the introduction; this is followed by the methodology section which presents the philosophical assumptions underpinning the thesis and the study methodology. The next section presents the case study strategy as the research method adopted in the study. The following section details the process of gathering the empirical evidence for the study. The section after this details how the data collected was analysed; this is followed by a section which attempts to link the research approach to the theoretical framework adopted for the study, and the final section presents the chapter summary.

Chapter six presents the background of the NSC. The chapter is structured into five sections beginning with the introduction. The second section provides an overview of the NSC. The origin of the NSC and the legislation that brought the NSC and the operations of the NSC are also discussed. The subsequent section analysed the various reforms implemented in the NSC; these reforms were introduced in order for the NSC to be more efficient and effective. Section 6.4 discusses the NSC labour process, and the last section presents the chapter summary.

Chapter seven analyses the NSC accounting systems and changes in MCS. The chapter is organised into five sections. The first section presents the chapter introduction. Section 7.2 analyses the NSC external accounting process. The legal requirement for the NSC to produce financial accounts, and the actual practice are examined. The following section examines the NSC internal accounting processes. The various MCS employed in the NSC and how they are put in use are all discussed. Section 7.4 examines the NSC MCS change initiatives and implementation, and the final section presents the chapter summary.

Chapter eight presents the discussion and analysis. The chapter is divided into five sections, beginning with the introduction. The second section presents the definition and the relationships between the various human and non-human actors identified in the study. The third section analyses the translation of public sector reforms in Nigeria. Two major reforms are identified and analysed in this section. The next part presents an ANT analysis and discussion on MCS change in the NSC, and the final part summarises the chapter.

Chapter nine provides the conclusion to the thesis. The chapter is structured into six sections. The first section presents the chapter introduction, followed by a section which reflects on the methodology adopted for the thesis. The subsequent two sections provide a summary of the main findings and the research contribution to knowledge. The next part presents the study's limitation, and the final section presents areas for future research. The structure of the thesis is presented in Figure 1.1. below.

Figure 1.1: The thesis structure

CHAPTER TWO: MANAGEMENT CONTROL SYSTEMS: LITERATURE REVIEW

2.1 Introduction

This chapter provides a critical review of the literature on Management Control Systems (hereafter, MCS). The review examines among other things the meaning, significance, dimensions, elements and MCS change. The review also provides a synthesis of the literature on MCS in developing countries. The main aims of the review are to understand what MCS are, why MCS change and how MCS function in organisations in developing countries. The review is important in order to provide the foundation for exploring and analysing the role of MCS in the Nigeria State Company (hereafter, NSC), the case organisation. Understanding previous work conducted regarding change in MCS, and the role of MCS (especially in developing countries) is thus important in developing and locating the research area to which the thesis will contribute.

The chapter is divided into six sections. After the introduction to the chapter, the next section conceptualises MCS. Its definitions, relevance to organisations and dimensions are all discussed. Section three discusses the elements of MCS while section four examines MCS change. The literature on MCS in developing countries is synthesised in section five. This section is divided into three sub-sections. The first deals with issues on the relevance of accounting systems (including MCS) in developing countries. The second examines the nature and role of MCS in the enterprises of developing countries and the third focuses on MCS change in developing countries. Section six provides a chapter summary and also situates the current thesis within the literature.

2.2 Conceptualising Management Control Systems (MCS)

To begin to explore the definition of MCS, it is essential to first examine the different terminologies used to describe MCS. Terminologies such as management accounting (MA), management accounting systems (MAS), and organisational controls (OC) have all been used interchangeably with MCS (see for example, Emmanuel *et al.*, 1997; Berry *et al.*, 1998; Harrison and McKinnon, 1999; Chenhall, 2003; Merchant and Van der Stede, 2003; Bhimani and Langfield-Smith, 2007). However, strictly speaking MCS is broader than MA, MAS or OC. MA refers to the collection of practices such as budgeting or product costing, MAS refers to the systematic use of MA to achieve some organisational goals, while OC refers to the controls built into activities and processes such as statistical quality control and just-in-time management. MCS as mentioned above is a broader term that includes MAS and also encompasses other controls such as personal or clan controls (Harrison and McKinnon, 1999; Chenhall, 2003; Anthony and Govindarajan, 2004). This thesis examines the broader roles of MCS in the case study organisation.

The definition of MCS has developed over time (Chenhall, 2003) and these definitions are influenced by the ontological and epistemological assumptions of researchers (see for example, Burchell *et al.*, 1980; Hopper and Powell, 1985; Chua, 1986 for a similar argument). For example, researchers operating within the functionalist or positivistic paradigm have emphasised the rational decision making role of MCS (Emmanuel *et al.*, 1997; Chenhall, 2003) while those operating from the non-positivistic paradigm such as the interpretive perspective have emphasised its social and political roles (Chua, 1986). The extent to which the philosophical assumptions of researchers influenced their conceptualisation of MCS is discussed below.

2.2.1 Functionalist Explanations of Management Control Systems

Anthony's (1965) seminal work provided the basis of the functionalist conceptualisation of MCS. Anthony defined MCS as: "the process by which managers assures that resources are obtained and used effectively and efficiently in the accomplishment of organisation's objectives" (Anthony, 1965, p. 17). Ryan *et al.*, (2002) argued that this efficiency role of MCS is never questioned under the functionalist perspective as the general belief is that accounting systems are designed to provide information which enable users make economic decisions. Anthony identified three different levels of controls, namely, strategic, management and operational. Strategic control is concerned with setting organisational goals and objectives over a long period, while operational control is concerned with the activity of ensuring that immediate tasks are carried out and management control is the process that links the two (Anthony, 1965; Otley *et al.*, 1995).

That Anthony's seminal work has contributed immensely to the understanding of management accounting has not been disputed. However, some of the assumptions in his work has been criticised by researchers (Otley, *et al.*, 1995; Lowe and Puxty, 1989; Otley, 1994; 1995; Langfield-Smith, 1997). Otley (1995) for instance argued that one of the problems of Anthony's framework is its separation of management control from strategic and operational controls. For example, to have effective management controls requires changing plans and objectives suggesting that the two are intertwined. Similarly, operational controls cannot be divorced from management control since the technological complexities of operations impacts directly on the management control process.

In addition, Anthony's work has been criticised for its lack of inclusion of social-psychological and behavioural issues (see for instance, Otley *et al.,* 1995). Similarly, Lowe and Puxty (1989) and Otley *et al,* (1995) argued that Anthony's definition has narrowed down the scope of MCS. Langfield-Smith (1997) argued that it is ironic to assume that MCS is surrounded by largely accounting-base controls of planning, activities monitoring, performance measurement and integrative mechanism.

Over the years, the conceptualisation of MCS even from functionalist perspective has been broadened. For example Lowe (1971, p.5) defined MCS as:

> A system of organisational information seeking and gathering, accountability and feedback designed to ensure that the enterprise adapts to changes in its substantive environment and that the work behaviour of its employees is measured by reference to a set of operational sub-goals (which conform with the overall objectives) so that the discrepancy between the two can be reconciled and corrected for.

Though also from a functionalist perspective, Lowe's definition is broader than that provided by Anthony and according to Otley *et al.* (1995), this has extended the role of MCS to a broad set of control mechanisms designed to assist enterprises to regulate themselves. In particular, Lowe's definition recognises the behavioural aspects of MCS which has also been emphasised by Anthony and Govindarajan (2007) who construed MCS as the process through which managers influence other people to implement the organisation's strategies. Another extended definition from a functionalist perspective has been provided by Ansari and Bell (1991) who viewed MCS as the entire organisational arrangement, having both formal and informal design to achieve organisational objectives, and they include formal structures, operational controls, budgeting, rewards, planning and other related activities. Formal and informal controls are explained in the next section.

In effect the functionalist definitions provided above all emphasise how MCS are designed to assist organisations in making effective and congruent decisions. As contended by Flamholtz (1996, p. 598) MCS is:

> a set of mechanisms - both processes and techniques - which are designed to increase the probability that people will behave in ways that lead to the attainment of organisational objectives. The ultimate objective of a control system is not to control the specific behaviour of people *per se*, but, rather, to influence people to take actions and make decisions which in their judgement are consistent with organisational goals.

According to Otley (1994), Merchant and Van der Stede (2003) and Anthony and Govindarajan (2007), MCS are a crucial activity for every business organisation. Barnard (1962) asserted that the fundamental task of any large organisation is to coordinate the effort of those working in it. Indeed, MCS provide the means for such coordination. Otley (1994) argued that the main essence of MCS is to provide the focus for all those activities designed to help ensure that the overall operating coherence of an organisation is maintained, and that its capability for survival is retained. For example, through monitoring performance and identifying deviation from agreed objectives, MCS can provide a signal that will trigger top management intervention (Goold and Quinn, 1990). Moreover, MCS provide information which assist organisations when adopting and implementing plans in response to their competitive environment (Mia and Clarke, 1999).

Merchant and Van der Stede (2003) and Anthony and Govindarajan (2007) also argued that the primary function of MCS is to influence behaviour in a desirable way, since organisations are made up of different people with different perspectives, tasks and job functions. These people may act or take decisions in a way that fulfil their own personal goals and needs to the detriment of those of the organisation[1]; MCS serve as a means to overcome such behaviour, by creating a satisfactory degree of goal congruence between the employees' goals and those of the organisation (Flamholtz, 1996). For instance, MCS provide personal incentives which align employees and organisational goals and motivate managers towards achieving those goals (Goold and Quinn, 1990).

In addition, MCS provide information, which is intended to be useful to managers in performing their jobs (Otley, 1999), and which will assist them move their organisation toward achieving its strategic objectives. Such controls also act as a basis for formulating new strategies (Anthony and Govindarajan, 2007). Chow *et al.* (1999) stressed that the probability of organisation employees making a decision and taking actions that are in line with the best interests of their organisation is increased with the help of MCS. According to Euske and Riccaboni (1999), MCS are employed to control internal interdependencies (for example, relationships between management and workers and between different units in the organisation) and external interdependencies (for example, relationships with the state, suppliers, customers and society). Burns and Scapens (2000a) depicted MCS as a constituent of an organisation's relative stable rules and routines. By rules, Burns and Scapens mean formal ways in which things should be done in order to coordinate the efforts and actions of individuals or groups, whereas routines are the actual MCS in use.

[1] This kind of action is referred to as agency cost in agency theory, (see Jensen and Meckling, (1976) for further discussion on agency theory).

2.2.2 Alternative Explanations of Management Control Systems

From a non-positivistic or non-functionalist perspective, the role and nature of MCS in organisations and society is open to question (Ryan *et al.,* 2002). This argument started to surface in the early 1980s when researchers began to explore alternative definitions of MCS. These non-functionalist researchers argued that MCS is embedded in wider social and political relations and as such should be studied within this context (Hopper and Powell, 1985; Chua, 1986; Uddin and Hopper, 2001). Burchell *et al.,* (1980, p. 22-23) observed that:

> A case can be made for the study of accounting as a social and organisational phenomenon to complement the more prevalent analyses which operate within the accounting context…Consideration would need to be given to the roles which information and accounting play in the political processes which characterised organisational and social life, to those forces which have constituted the organisation as we know it and to the ways in which the social and the organisation in accounting intertwine with each other.

This argument was recently reiterated by Hopper *et al.* (2009) who contended that narrow and technical definitions of MCS deflect attention from the historic, social, political and economic factors and their consequences. They stressed that, in studying MCS, especially in developing countries, rigid boundaries are treacherous because development issues need open, imaginative, problem-based approaches that transgress disciplinary forms of accounting. Hopper *et al.* provided a broader definition of MCS that "embraces processes, structures and information for organisational decisions, governance, control and accountability" (P. 470). For the sake of this thesis, the definition provided by Hopper *et al.* is adopted, in order to understand the processes of NSC reforms, in particular the nature and consequence of MCS change. The need for a broader definition is justified, given that MCS can be formal, informal or a combination of both. Data from the case showed that both formal and informal MCS were employed in NSC and moreover MCS was implicated in internal politics and power struggle, hence justifying a broader conceptualisation in order to tease out the tensions and the complexities of the MCS.

Thus the argument is that MCS do not exist outside the conceptualisation of individuals. In an attempt to derive meaning from the world, people develop and impose their own ideologies and structures, including MCS (Burchell, *et al.*, 1980; Hopper and Powell, 1985; Chua, 1986). MCS thus creates a social relation among people within an organisation. The individual is important in understanding MCS as he/she is an active agent involved in constructing and interpreting the MCS (Preston 1991). The active nature of agents has been stressed by Chua (1986, p.619), as "The individual possesses historically constituted potentials that are unfulfilled." This is based on the argument that people are not passive objects but instead are active agents capable of influencing and shaping their own environments, including the MCS (Macintosh, 1994). This emphasises the abilities of individuals to construct and interpret MCS in use in their organisation.

An argument could therefore be made that to understand MCS it is important for researchers to study how this has been socially and historically constituted (Chua, 1986). As noted by Laughlin (1987, p.482):

> Historical analysis....supplies not only the insights into the past but also the methodological tools for change in the future. ...Historical analysis is not some value free activity, but is undertaken with a particular purpose in mind: to analyse points of progress, to discern the mechanisms leading to their emergence, and to allow these to be used again to encourage societal development to a truer, free and more just life for all.

From this non-functionalist perspective, MCS could be perceived as performing non-rational decision roles including being an organisational language system that provides meaning and understanding, a political tool that provides the means of power, and a legitimating device that people use to justify their actions (Burchell, *et al.*, 1980, Hopper and Powell, 1985; Chua, 1986; Boland, 1993; Macintosh and Scapens, 1990). As argued by Laughlin (1987, p.481), MCS "are, as language systems, human artefacts which model certain aspects of organisational life whose 'terms' and 'sentences' (the more technical aspects of their design) find meanings in the historical, organisational and societal context in which they are 'uttered'...meanings need to be discovered and defined by human actors, and this is to be achieved through that distinctly human attribute, namely language." Covaleski and Dirsmith (1988, p1) also noted that MCS is "A socially constructed phenomenon rather than a technically rational function driven by and serving the internal operations of organisations."

2.3 Classifications of Management Control Systems

MCS have been classified differently in the literature. For example some researchers have distinguished between formal and informal controls while others have focused on the individual elements of MCS such as budgeting, performance measurement, etc. These different classifications are examined in this section.

2.3.1 Formal versus Informal Management Control Systems

Several researchers have examined the formal and informal dimensions of MCS (Berry *et al.*, 1985; Neimark and Tinker, 1986; Arnold and Hammond, 1994; Hoque and Hopper, 1994; Joshi, 2001; Sulaiman *et al.*, 2004; Tsamenyi *et al.*, 2008). Formal controls consist of a high level of process and output controls, while informal controls consist of a high level of social and cultural controls. Formal controls are generally written and comprise rules, standards operation procedures, budgeting systems, performance measurement systems and rewards systems, whereas informal controls are generally initiated by workers; they are not designed deliberately, and include unwritten policies. They are often derived from the organisation's culture or its artefacts (Jaworski, 1988; Langfield-Smith, 1997).

It has been argued that formal and informal controls are not to be seen as mutually exclusive as an organisation's control systems can consist of a combination of both types of controls (Jaworski *et al.*, 1993). In fact, Anthony (1952) suggested that MCS are most effective when formal and informal techniques are blended together skilfully. In other words, effective MCS depend on both formal and informal control. Formal controls can legitimatise the organisational existence while allowing an informal routine to remain intact and informal controls can also act as a protecting device, legitimating the existing formal control systems and shielding them from pressures for change (Lukka, 2007).

Jaworski *et al.* (1993), Cravens *et al.* (2004) showed that organisational control can be achieved through formal or informal controls or a combination of both. For instance, Joshi (2001), in a study of 60 large and medium companies in India, found that all the enterprises studied used budgeting for planning their day-to-day operations and cash flow. In addition, 93 percent of the companies used budgeting to control costs, and 91 percent reported that they use budgeting for planning their financial position. A similar finding was reported by Sulaiman *et al.* (2004). The authors found that the use of budgets for planning, control, and performance evaluation remains high in India, Malaysia and Singapore. The above evidence suggests that formal controls are used in organisations.

However, there is also evidence that controls can be formal or informal. Hoque and Hopper (1994) found that in their study of a large nationalised jute mill in Bangladesh, that the managers employ different sorts of social/informal control to deal with the complexity and uncertainty surrounding their activities. Formal controls such as budgets were employed for the purpose of legitimacy but informal controls in the form of relationships and politics enable the managers to cope with the daily pressures of working in the mill. Similarly, in a study of an Indonesian family organisation, Tsamenyi *et al.* (2008) reported that culture and social control were employed by the managers instead of the formal rational decision making MCS such as budgets.

Efferin and Hopper (2007) also extended the debate on formal and informal controls by examining how cultures, ethnicity, history and commercial consideration shape MCS in a Chinese-Indonesian manufacturing company using a combination of ethnographic and grounded theory methods. The authors reported that the preference of the Chinese owners resided in controlling behaviour through personnel and behavioural controls, low budget participation, centralisation, subjective rather than objective controls, few rewards tied to results and the use of group rewards.

Marginson (1999), in a case study of a British organisation also found that social control rather than formal MCS was involved in channelling effort towards the achievement of the organisation's strategy. Jaworski *et al.* (1993), in a study of marketing managers, proposed a conceptual framework for a combination of controls. They identified four alternative systems or a combination of controls based on different levels of output, process, professional and cultural control; the four alternatives were; 1. a traditional bureaucratic management control system with formal controls as a main emphasis; 2. a clan system with a main emphasis on informal controls; 3. a low control system with low emphasis on both formal and informal systems and 4. a high control system with main emphasis on both formal and informal systems. They concluded that high control systems are associated with high levels of job satisfaction, followed by clan control systems, bureaucratic and low control systems. The work of Jaworski *et al*. was extended by Cravens *et al.* (2004) who found that the sales managers they studied who work under a more visible control system - that is high control - perform better and are more satisfied. These managers displayed lower burnout and role stress than those working under bureaucratic, clan, and low control combinations.

2.3.2 Elements of Management Control Systems

Different elements of MCS ranging from budgeting, performance measurement, standard costing, cost management, to strategic planning have been identified in the literature (Chenhall, 2003; Merchant and Van der Stede 2003; Bhimani and Langfield-Smith, 2007). The purpose of this section is to review the literature on the main elements of MCS that are relevant to this study. The elements of MCS identified in NSC and therefore relevant for this study are budgeting, performance measurement; activity based costing; strategic planning; and enterprise resource planning system.

2.3.2.1 Budgeting to Strategic Planning

The importance of budgeting has been highlighted in the literature and has been the most widely discussed element of MCS (see for instance, Argyris 1952; Otley, 1999; Anthony and Govindarajan, 2007). According to Otley (1999), budgeting is a central plank of most organisations' control mechanisms, because it is among the few techniques that have the capability of integrating various organisations' activities into a single coherent summary. Budgetary control can ensure that the overall aims and objectives of the organisation are efficiently and effectively achieved (Anthony and Govindarajan, 2004).

Anthony and Govindarajan (2007) argued that budgeting has four principal purposes: fine-tuning the strategic plan, coordinating the organisation activities, assigning responsibilities to managers and forming the basis of evaluating managers' performance. Chenhall and Langfield-Smith (2007) contended that budgeting has provided the basis for examining the effectiveness of an organisation in meeting standard costs and overall financial targets.

The adoption of budgeting in organisation has been widely investigated by researchers. Evidence from these studies shows that budgeting has remained a dominant and a very important part of MCS in many organisations (Joshi, 2001; Abdel-Kader and Luther, 2006). Joshi (2001), in a study of 60 Indian firms, found that budgeting is adopted in all the companies in planning their day-to-day operations. A similar result was presented by Abdel-Kader and Luther (2006) in a study of management accounting practices in the British food and drink industry, using a survey of 122 companies. The authors found that budgeting was often or very often used for planning and controlling costs by 84% and 73% of companies studied. In addition, more than 90% of the respondents considered budgeting as important or moderately important for planning and control. Similarly, Ahmad *et al.* (2003) found that companies in Malaysia used budgets in planning and controlling their activities.

Budgeting has also been linked to culture. For example, Tsui (2001) conducted a survey to investigate whether the behaviour and attitudes of Chinese and Western managers towards budgetary participation will be different, because of cultural differences. 51 Chinese sub-unit managers in mainland China and 38 western expatriate sub-unit managers in Hong Kong were requested to respond to a questionnaire which was designed to measure the availability of broad scope and timely MAS, budgetary participation and managerial performance. The author reported a different attitude and behaviour. For Chinese managers, the relationship between MAS information and their managerial performance was negative for high levels of participation, while in the case of Western managers the relationship was positive.

Budgeting is also known to be implicated in the social and political processes of organisations. For example, Cooper *et al.*, (1981) argued that budgeting facilitates the negotiation of shared reality by providing the various actors with a common language and framework for such negotiations. The existence of budgetary systems in organisations thus aids the negotiation process. The social and political role of budgets has also been stressed by Wildavsky (1975) who argued that: "[Budgeting] exists. The people involved in it care about what they do....The bonds between budgeting and "politicking" are intimate. Realistic budgets are an expression of practical politics. The allocation of resources necessarily reflects the distribution of power. Budgeting is so basic it must reveal the norms by which men live in a particular political culture-for it is through the choices inherent in limited resources that consensus is established and conflict is generated" (p.xii). In Wildavsky's view therefore budgeting can be defined as attempts to allocate financial resources through political processes to serve diverse human purposes (Wildavsky, 1992). This observation is not far from those of Covaleski and Dirsmith (1986) that budgeting systems are complicit in representing vested interests in political bargaining process and maintaining existing power relations.

Traditional budgeting systems have however been widely criticised by a number of researchers (Otley, 1994; Jensen, 2001; Anthony and Govindarajan, 2007). For example, Jensen (2001) argued that the use of a budget target to determine performance of managers causes managers to set a budget, which is not in the organisation's best interest. Others such as Hope and Fraser (2003a, 2003b) have also criticised budgets for lagging behind developments in the business environment. For example, they argue that changes in organisational forms from multi-division (M-form) to network (N-form) and also the increasing role of intellectual capital (e.g. Coca Cola, Microsoft) have resulted in the incompatibility of traditional budgets (2^{nd} wave approach) with the new forms of organisations (3^{rd} wave). Traditional budgets are too internal, top-down; unable to incorporate uncertainties in the external environment, outdated/unrealistic, too mechanistic, create dysfunctional behaviour, etc (see also Kaplan and Norton, 1992).

To make budgets more useful, it has been argued that they have to be integrated into the strategic planning process (see for instance, Anderson and Lanen 1999). Anthony and Govidarajan (2007) provided a distinction between strategy formulation and strategic planning; they described strategic formulation as a process of deciding on new strategies. During strategic formulation, management decides on the organisational goals and the main strategies for achieving those goals, while strategic planning is the process of deciding how to implement those strategies. Strategic planning takes up the goals and strategies given by management, and a programme is developed that will accomplish the strategies and achieve the goals efficiently and effectively. Accordingly, strategic planning is the process in which an organisation decides the programme it will undertake and the approximate resources which will be allocated to each programme in the future (Anthony and Govindarajan, 2007). Strategic planning provides a framework for developing an effective annual budget and serves as a powerful action control which forces managers to think about the future, make decisions in advance and align their interest with the organisational long term strategies (Merchant and Van der Stede, 2003; Anthony and Govindarajan, 2007).

According to Merchant and Van der Stede (2003) strategic planning processes which is linked to the newly evolving role of the budget involve six main steps and normally take place in an iterative environment. The steps are: developing the corporate vision, mission, and objectives; understanding the organisation's standing, its strengths, weaknesses, opportunities and risks; deciding the organisation's diversification strategy, deciding on each of the business unit strategies; preparation of the strategic plan and monitoring of performance and updating the strategies if necessary. The budget is particularly useful in all these stage.

The adoption and benefits of strategic planning were investigated by researchers (Thune and House, 1970; Herold, 1972; Bonn and Christodoulou, 1996). For instance, Thune and House (1970) conducted a survey of thirty-six enterprises from different industries to determine how the adoption of strategic planning procedure affects economic performance. They reported that organisations which employ formal strategic planning performed better than those which do not. In addition, the organisations which adopted strategic planning recorded a better result after the adoption of strategic planning. A similar finding was reported by Herold (1972). Herold crossed-validated the studies of Thune and House and found that the organisations that employed strategic planning outperform those that did not. Similarly, Bonn and Christodoulou (1996) reported that 72% of the largest manufacturing companies in Australia used strategic planning systems. Chenhall and Langfield-Smith (1998) in a survey of 78 manufacturing firms in Australia found that traditional planning techniques were highly adopted and high benefits were derived from them.

The relationship between the participation of managers in strategic planning and job satisfaction was examined by researchers (Kim, 2002). For instance, Kim (2002) examined the relationship between perspective management in the contexts of strategic planning and job satisfaction in local government agencies in Nevada, USA. The author reported that the use of a participative management style and employees' perceptions of participative strategic planning processes were positively associated with high levels of job satisfaction. In addition, Kim reported that effective supervisory communications in the context of the strategic planning process were positively associated with high levels of job satisfaction. In the context of the public sector, strategic planning is implemented in order to improve performance and accountability (Kim, 2002).

2.3.2.2 Performance Measurement Systems

According to Chenhall and Langfield-Smith (2007) the primary function of MCS is to develop performance measures which will assist managers in planning and controlling their activities. It was also reported that organisations with formal performance measurement outperformed those without it (Fitzgerald, 2007).

Otley (1999) suggested five issues that need to be considered when developing a framework for an organisation's performance.

i. Identification of the key objectives that are central to the organisation's overall future success, and how the achievements of each of these objectives are evaluated
ii. Identification of the strategies and plans that the organisation has adopted and the processes and activities that it has decided will be required for it to successfully implement these. How the organisation assesses and measures the performance of these activities should also be considered
iii. Assessment of the level of performance that the organisation needs to achieve in each of the areas defined in the above two steps, and how it goes about setting appropriate performance targets for them.
iv. Ascertainment of what rewards managers (and other employees) will gain by achieving these performance targets (or, conversely, what penalties will they suffer by failing to achieve them).
v. Finally, it is important to determine what information flows (feedback and feed-forward loops) that are necessary to enable the organisation to learn from its experience and to adapt its current behaviour in the light of that experience.

The performance measures adopted therefore are likely to be influenced by the consideration given to each of the above issues. Traditionally, organisations have measured their performance using historical measures such as Return on Investment

(ROI). For example, Merchant and Riccaboni (1990) examined the performance measurement and incentive systems used in Fiat group and reported that rewards were based on short-term accounting performance measures; actually performance was measured against highly achievable budget targets, and few adjustments were made with regard to the effect of uncontrollable factors.

Despite the fact that traditional financial based performance measures have dominated organisations for years, a number of researchers have began to question the relevance of these traditional performance measurement systems (Kaplan and Norton 1992; Fitzgerald, 2007). The basis of this criticism according to Chenhall and Langfield-Smith (2007) is that new manufacturing approaches such as just-in-time (JIT) systems, flexible management systems (FMS), material aided requirement and others have brought new challenges to performance measurement, hence rendering traditional financial performance measures irrelevant to organisations adopting these new practices. In particular the increasing move towards non-financial based performance measurement systems has been discussed by the authors (see also, Kaplan and Norton, 2001).

Researchers have also identified an association between performance measurement systems and culture. For instance, Henri (2004) conducted a survey of 383 Canadian manufacturing organisations to examine the association between organisational culture and performance measurement systems. Two attributes of PMS, namely the nature of use and the diversity of measurement, were tested. The author reported that the top managers of firms reflecting a flexibility-dominant type of culture were more likely to use performance measures (a broad set of financial and non-financial measures) and performance measurement systems in focusing their organisations attention, and in supporting strategic decision-making and legitimating actions, than top managers of those organisations reflecting a control-dominant type.

In extending our understanding of performance measurement systems, Otley (1999) proposed a framework for understanding how performance measurement systems are linked to other organisational decision processes. The framework was built around five issues which relate to objectives, strategies and plans for their attainment, target-setting, incentive and reward structures and information feedback loops. Otley tested the framework against three main elements of MCS, Budgeting, Economic Value Added (EVA), and Balanced Scorecard, to show how the wider perspective of performance management and strategy implementation can be used to analyse the working of practical control systems.

The performance measurement of public sector organisations has also been studied. For example, Modell (1996) studied the performance measurement in a public sector dental practice (using a case study of six dental clinics) under County Council governance in central Sweden. He found that the clinics have different control and performance measurement systems. For example, the clinics are evaluated on targets, reflecting the financial surplus or deficits they generate, and employees are evaluated based on budgets, established revenue and time utilisation to decide on financial reward. However, Modell reported that it was difficult to find any adequate measures reflecting the operations carried out by specialist clinics, as there were no established formal targets. In the specialist clinics, information sharing took place on a more informal basis and there was less concern with financial issues; hence, there were no financial rewards at the specialist clinics. This argument can be linked back to the debate presented earlier in the chapter about the need to integrate formal and informal controls.

The debate in the literature about the limitations of traditional performance measures has led to the quest to find a much more robust performance measurement system. One such development is the balanced scorecard which is a multidimensional measurement system that translates an organisation’s mission and strategy into performance measures (Kaplan and Norton, 1992, 1996a, 1996b 1996c). It has been argued that the balanced scorecard provides organisations with a set of performance targets and approach to performance measurement that stresses meeting all the organisation’s objectives (Atkinson *et al.*, 1997).

The idea behind the balanced scorecard is that it is a much comprehensive performance framework that offers managers a fast but comprehensive view of the business. By focusing on four broad areas in which businesses should aim to develop measures of what is important for their overall performance, the balanced scorecard is superior to the myopic traditional financial measures of performance. The four perspectives of the balanced scorecard are illustrated in figure 2.1 below.

Financial Perspective
To succeed financially, how should we appear to our shareholders?

Customer Perspective
To achieve our vision, how should we appear to our customers?

Vision & Strategy

Internal Business Process
To satisfy our shareholders and customers what business processes must we excel at?

Learning and Growth
To achieve our vision, how will we sustain our ability to change and improve?

Figure 2.1: The Perspectives of the Balanced Scorecard (Adapted from Kaplan and Norton, 1996b)

The financial perspective measures how far the company has achieved its financial objectives. Thus the financial perspective identifies how the company wishes to be viewed by its shareholders. Key measures of the financial perspective include operating income, return on capital employed and economic value added. The customer perspective on the other hand measures how the organisation has performed in relations to customers. Key measures of the customer perspective include customer profitability, customer retention, customer satisfaction, and market share.

The internal business process perspective focuses on assessing how the organisation has performed in creating value to customers and lower costs to achieve financial performance. These are the business processes at which the company has to excel in order to satisfy its shareholders and customers. Key measures of the internal business process include measures to improve customer satisfaction and financial performance.

The learning and growth perspective measures how the organisation has performed in terms of people, systems, and organisational procedures. Key measures include employee satisfaction and retention, training, accuracy and reliability of information about customers and business processes, and appropriate reward systems. Recent studies (Tsamenyi *et al.*, 2008a) have extended this framework to privatised enterprises by including a fifth dimension, the community perspective.

Despite being an innovation to address the limitations of traditional performance measures, the balanced scorecard has also received its fair share of criticisms. One such criticism is that the adoption of the balanced scorecard is labour intensive because it is a consensus-driven approach (Jon, 2000). There are also inconsistencies in the literature as to the relationships between the four perspectives. For example Kaplan and Norton argued that there is a causal relationship, between the perspectives whereby the learning and growth perspective drives the internal business process perspective; the internal business process perspective in turn drives the customer perspective; and all three measures then drive the financial perspective. This assertion has however been criticised. For example, Nørreklit (2000) argued that "the influence between measures is not unidirectional in the sense that learning and growth are the drivers of internal business processes, which are the drivers of customer satisfaction, which in turn is the driver of financial results" (p.75). The balanced scorecard has also been criticised in the sense that employees are likely to pay attention to measurable areas to the neglect of non-measurable areas (Nørreklit, 2000; Jon, 2000; Tsamenyi *et al.*, 2008a).

2.3.2.3 Activity-Based Costing

Johnson and Kaplan (1987, p.1) provided a damming critique of traditional management accounting systems as: "Today's management accounting information, driven by the procedures and cycle of the organisation's financial reporting system, is too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions." Particularly, overhead costing developed since the early part of the nineteenth century has lost its relevance in today's competitive and automated environment. Consequently, cost and management accounting systems which, were intended to provide information for managerial decision-making have rather tended to be influenced by the demands of external financial reporting (Johnson and Kaplan, 1987). Consequently, many have come to view traditional cost and management accounting system of cost allocation as a failure because of its inability to contribute meaningfully to strategic decision making, performance measurement, investment management, pricing decisions as well as cost management.

This failure led to Activity-Based-Costing (hereafter, ABC) being proposed as an alternative overhead costing technique (Cooper and Kaplan, 1987, 1988; Anderson, 1995; Cotton *et al.*, 2003). Since then, significant interest has been shown in ABC (Johnson and Kaplan, 1987; Cooper ad Kaplan 1987, 1988). ABC can be construed as one of the most important contemporary MCS innovations over the last two decades. It was proposed by Cooper and Kaplan (see Cooper and Kaplan, 1988; Cooper, 1988a; 1988b; Jones and Dugdale, 2002). The initial idea was to introduce new allocation bases for the distribution of indirect costs, including bases not directly proportional to volume (Ax and Bjørnenak, 1991). It was promoted as a costing system which would reduce the level of random cost allocation associated with the traditional systems and results in more accurate product costs (Baird *et al.*, 2004). The concept was further developed into a form of multidimensional profitability analysis, with more descriptive objects such as customers, market segments and distributional channels added to it; its later development was the initiative to separate unused capacity from activities. ABC enables organisations to measure products and services costs with more accuracy (Cooper, 1988a, 1988b; Cooper and Kaplan, 1987).

Proponents of ABC claimed that it provides more accurate product costs, cost reduction by waste elimination and improved operation management through better performance measures; later ABC was claimed to have helped managers understand cost hierarchies, identify relevant costs and revenues, hence help them make better decisions (Major and Hopper, 2005; Hopper and Major, 2007). Thus ABC provides several benefits including accurate prediction of future costs, enhancing product or service quality (Anderson, 1995), the elimination of non-value added activities, the provision of a more relevant management information (Soin *et al.*, 2002), understanding the underlying causes of cost (Cagwin and Bouwman, 2002), the identification of duplicated functions, and the ability of management to focus better on critical activities (Cotton *et al.*, 2003).

The adoption and of ABC has been studied by various researchers in different countries (Innes and Mitchell, 1995; Shim and Udit, 1995; Lukka and Granlund, 1996; Bjørnenak, 1997; Baird *et al.*, 2004). In spite of the numerous articulated benefits of ABC, these researchers have found a minimal adoption rate. Innes and Mitchell (1995) surveyed 1000 largest UK companies. They reported that 20% of respondent companies had adopted ABC. Similarly, Lukka and Granlund (1996) found that 5% of the 134 Finish manufacturing firms studied had implemented ABC, while 25 % were considering implementing it. Ask *et al.* (1996), in a Swedish study, reported that 25% of their sample companies were planning to introduce an ABC system. Shim and Sudit (1995), in a study of US companies, reported that 27% of their respondents' companies had adopted ABC, and 38% intend to adopt it. Chenhall and Langfield-Smith (1998) reported a 56% adoption rate in Australia. Joshi (2001), in a study of 60 large and medium manufacturing companies in India, reported a 20% ABC adoption rate. A similar finding was reported by Gosselin (1997) in a survey of 161 Canadian Strategic Business Units (SBUs). The author reported that 47.8 percent of the SBU had adopted ABC. However, only 30.4% had actually implemented its methodology.

The usage of ABC has also been investigated. For instance, Innes and Mitchell (1995) conducted a survey of 1000 of the largest UK companies to determine the rate of adoption and specific use of ABC. Innes and Mitchell reported that, although ABC was used by many companies, its impact was often limited in scope, and it has also been rejected by a sizable number of companies. Furthermore, researchers found that perception regarding ABC differs among organisations and even among employees within the same organisations.

The study of Major and Hopper (2005) examined the implementation and usage of ABC in a Portuguese telecommunication firm. The study found that ABC was perceived differently in the organisation. Production engineers resisted ABC; they were sceptical about its accuracy and usefulness. Workers also resisted it by inputting inaccurate data late. This late imputation of inaccurate data was tolerated by production managers who had difficulty understanding ABC and relating it to their job. This finding is consistent with those reported in other studies relating to managers resistance to the introduction of management accounting innovations (Burns and Scapens, 2000; Tsamenyi, *et al.*, 2006).

Despite the resistance, a section of the managers, mainly senior managers and commercial managers responsible for pricing and investment were satisfied with ABC; they used its data for decision making despite all the problems. They believed ABC provides more accurate data than their previous system had done, it had met the requirement of regulators and financial markets, and had made consolidation of accounts much easier. This suggests that ABC could indeed provide useful data for decision making as claimed by its proponents. The study of Soin *et al.*, (2002) conducted into the implementation of ABC in the Clearing Department of a UK-based multinational bank found that the managers perceived the ABC system as contributing to cost cutting within the Clearing Department and throughout the whole bank. The authors noted that the bank was able to reduce 30% of its cheque processing cost by breaking down the costs into the activities that drive costs. This cost reduction did not affect the quality of service to the customer.

The success or failure of ABC systems has been discussed. The general view is that various factors influence ABC success. For instance, Gosselin (1997), in a survey of 161 Canadian strategic business units, reported that strategic position and organisational structure influence ABC adoption. Shield (1995) in a study of 143 firms found that top management support, linkage to competitive strategies, linkage to performance evaluations and compensation, training on ABC, ownership of non-accountants and adequate resources are all significantly associated with ABC success.

Similarly, Norris (2002) reported that the introduction of internal transfer charges, support from top management, communication, education were vital for ABC implementation success and continued use in two UK banks they studied. Innes *et al.* (2000) and Liu and Pan (2007) also reported that top management support and the active involvement of a high proportion of dedicated professionals are significantly associated with ABC success.

Researchers reported that ABC is complex and costly to implement (Innes and Mitchell, 1991; Cobb *et al.*, 1992; Innes *et al.*, 2000; Major and Hopper, 2005). Innes *et al.* (2000), in a study of 1000 of the largest UK companies, found that those using ABC were of the opinion that its benefits outweigh it costs, while those companies that had considered using ABC and rejected it and those that were still considering it, see its complexity and cost as major hindrances to its adoption. Major and Hopper (2005) reported that employees in their case study organisation had problems understanding ABC categorisation, allocating resources to them and interpreting the results.

In all the findings reported from ABC studies are mixed. Thus while some success have been reported, there is also overwhelming evidence that ABC has been unsuccessful in several organisations.

2.3.2.4 Enterprise Resource Planning Systems (ERP)

Enterprise Resource Planning (hereafter, ERP) systems are important organisational innovations that are increasingly being adopted by firms to enhance their planning and control process. According to Baxendale and Jama (2003, p.55) the popularity of ERP systems stems from the fact that "They typically integrate financial accounting, managerial accounting, cost accounting, production planning, materials management, sales and distribution, human-resource management, quality management, and customer service using a relational database."

A number of studies have investigated the benefits of ERP systems to organisations. Overall, it has been argued that ERP systems will contribute to increasing financial performance and enhancing the competitive position of organisations (Curran *et al.*, 1988; Hayes *et al.*, 2001). ERP systems are important because they help organisations to capture, edit and process accounting and other related transactions. They enable firms to undertake comprehensive audit trail, automated inventory management system, automated billing systems, and integrated payroll systems (McCausland, 2004). As argued by Hayes *et al.* (2001) the efficiency gains from ERP implementation can be recognise from consolidating multiple data entry points, delegating decision-making authority to subordinates, reengineering operational processes, and automating business processes.

ERP systems can also impact on an organisation's accounting and finance system by enabling the firm to undertake a better cost analysis. One area that has been suggested is the use of ERP in activity-based costing analysis. ERP significantly increases the availability and reliability of activity cost-driver information (Baxendale and Jama, 2003). By integrating production planning, materials management, and cost and management, ERP systems are able to provide reliable activity cost-driver information.

Very limited academic accounting research has focused on ERP systems. Some of the few studies on ERP include Scapens and Jazayeri (2003), Granlund and Mouritsen (2003), Caglio (2003), Lodh and Gaffikin (2003), and Hyvönen (2003). These studies have focused on diverse issues including the process and the outcome of ERP implementation and the implications of the adoption of ERP systems for the accounting function. The study of Scapens and Jazayeri (2003) is one of the detailed accounting studies on the topic. The authors investigated changes in management accounting in response to ERP implementation and identified the main characteristics of ERP as integration, standardisation, routinisation, and centralisation. Scapens and Jazayeri found that ERP introduced key changes into the organisation they studied. These changes include the elimination of routine jobs, creating line managers with accounting knowledge, more forward-looking information, and a wider role for the management accountant.

The general consensus in the above studies is that the adoption of an ERP system has implications for the wider role of the management accountant (Scapens and Jazayeri, 2003) and specifically for how the roles and expertise of accountants are perceived within organisations (Caglio, 2003). However more research is needed for us to fully understand the role and the full impacts of ERP systems on organisations. Scapens and Jazayeri (2003, p.201-202) recognised the need to study ERP systems when they argue "For further longitudinal case studies of the implementation of ERP systems to study how these characteristics facilitate and reinforce processes of management accounting change in other companies."

2.4 Management Control Systems Change

In recent years, researchers have focused on explaining MCS change. Some researchers have focused on explaining changes in the MCS technique, while others have investigated the drivers and processes of change. These studies have broadly provided understanding of how and why MCS change, the consequences of these changes, the resistance to these changes and the stability in MCS (Scapens and Roberts, 1993; Cobb *et al.*, 1995; Burns, 1999; Malmi, 1999; Broadbent *et al.*, 2001; Waweru *et al.*, 2004; Tsamenyi *et al.*, 2006; Yazdifar *et al.*, 2008). The aim of this section is to review the literature on MCS change. The review is necessary in order to provide the basis for examining MCS change in the case organisation.

Aspects of the literature on MCS change have discussed 'what' has changed and 'why' these changes are taking place. The former issue relates to the techniques while the latter relates to the drivers of change. These studies are useful in that they provide us with the understanding of what is changing and why these changes are occurring. In relation to the techniques, studies have argued that MCS have changed from traditional to much more strategic. The basis of this argument can be traced to the relevance lost debate by Johnson and Kaplan (1987). The authors asserted that MCS has not changed since the beginning of the twentieth century, despite changes in production, information technologies and organisational environment. They argued that MCS has lost its relevance for providing information required by managers. Johnson and Kaplan called for a total overhaul and revision of MCS techniques and accounting systems in line with modern management, hence ensuring that the relevance of these systems is regained.

Advancement of new MCS techniques and systems called ‘strategic management accounting’ have been largely proposed in response to Johnson and Kaplan’s call. Such innovations include the following: activity based costing (Cooper and Kaplan, 1988; Cooper, 1988a, 1988b); balanced scorecard (Kaplan and Norton, 1992, 1996a, 1996b, 1996c) activity-cost management (Shank and Govindarajan, 1993); and target costing (Ansari and Bell, 1997). Some researchers believed that these innovations were promoted to organisations by management consultants (Abrahamson, 1991, 1996; Malmi, 1999; Jones and Dugdale, 2002).

The extent to which these various innovations dubbed ‘strategic management accounting’ have been diffused in organisations has been the subject of prior studies (Innes and Mitchell, 1995; Shields, 1995; Bjørnenak, 1997; Gosselin, 1997; Chenhall and Langfield-Smith, 1998; Malmi, 1999; Innes *et al.*, 2000). Chenhall and Langfied-Smith (1998) surveyed 78 manufacturing firms in Australia to find out the extent of adoption of the traditional and the new MCS practices. The authors reported overall a higher adoption of traditional practices than the recently developed techniques. However, they reported that newer techniques, such as ABC adoption in Australia, were higher than reported in previous studies.

Other studies have focused on explaining the drivers of MCS change. Factors discussed include global competition, advancement in information technology and production, new public management, economic grouping and international organisations and changing organisational forms (Cobb *et al.*, 1995; Libby and Waterhouse, 1996; Granlund, 2001).

Cobb *et al.* (1995), in a longitudinal study of a bank changing its management accounting systems, reported that pressures such as new competitors, development in information technology, introduction of new products, financial pressure from the bank and senior management instigated the change in MCS. Similarly, Libby and Waterhouse (1996) examined the effects of intensity of competition, decentralisation, size and organisational capacity to learn about change in MCS. The authors reported that change in MCS was positively associated with highly competitive environments and organisational capacity to learn. Granlund (2001) conducted a case study of a large Finnish manufacturing company and found that severe financial problems, intense competition, market reforms together with human and institutional factors were the main drivers of MCS change in the organisation.

Burns *et al.* (1999) and Burns and Scapens (2000) studied MCS change in different UK companies. They found that factors such as global competition, technological changes in information systems (e.g. the advent of the PC) and methods of production, change in organisations following increase emphasis on core competencies, downsizing, outsourcing and also change in management structure including delayering and team working have all influenced change in MCS. According to Burns and Vaivio (2001), advancement in information technology has promoted innovation and changes in the collection, measurement, analysis and communication of information within and between organisations. MCS change is facilitated by technologies such as enterprise resource planning systems, e-commerce, the internet, electronic data interchange and electronic meetings (Burns and Vaivio, 2001).

Waweru *et al.* (2004) investigated change in MCS in the retail service industry in South Africa, using a case study of four firms. They found a considerable change in the use of contemporary management accounting, especially activity-based cost allocation and the balanced scorecard approach to performance measurement. They attributed the changes to the recent environmental changes in the South African economy arising from government reform/deregulation policy and globalisation.

However, in the context of public sector organisations[2] (the case site of this study 'NSC' is a public organisation), New Public Management (hereafter NPM) was identified by scholars as one of the main drivers of change in MCS. During the late 1980s, the governments of developed and developing countries embarked on reforming their public sector. These reforms are labelled under the umbrella term "New Public Management" (Hood, 1991). NPM reforms were viewed as solutions to the endemic problems affecting the public sector (Humphrey *et al.*, 1993; Olson *et al.*, 1998; Guthrie *et al.*, 2005; Awio *et al.*, 2007).

Initially, the focus of MCS in public organisations was on probity, compliance and control; however, the advent of NPM shifted the MCS focus to promoting efficiency, effectiveness, cost saving and streamlining organisations (Broadbent and Guthrie, 1992). MCS change (private sector method) was widely accepted as a way of executing of NPM reforms towards making public organisations managers more accountable for results (Humphrey *et al.,* 1993; Hood, 1991; 1995; Olsen *et al.,* 2001). Consequently, new MCS were introduced into various public sector organisations. Likierman, (1994, p. 109) noted this as:

[2] Public sectors are part of government national economic activity traditionally owned and control by the government; they provides utilities and services to the general public and are traditionally being seen as an essential fabric of our societies (Broadbent and Guthrie, 1992).

> …the influence of management accounting techniques in central government has developed dramatically in the past ten years. From being at the fringes of administrative practice, such as techniques are increasingly an essential part of key managerial developments. There can be no doubt that initiatives have required management accounting, sometimes implicitly, sometimes explicitly…and that without them the implementation of the key reforms would not have been possible.

Researchers have investigated MCS change in the context of NPM. Studies have been conducted in different countries (see, for example, Preston *et al.,* 1992; Lapsley and Pallot, 2000; Lowe, 2000; Broadbent *et al.,* 2001; Modell, 2001; Caccia and Steccolini, 2006). For instance, Lapsley and Pallot (2000) examined change in MCS using a case study of four local governments, two in Scotland and two in New Zealand. The changes in both countries were brought about by government reforms. The authors reported MCS change in all the organisations. However, in Scotland, MCS change was adopted for isomorphism, whereas in New Zealand MCS change became an integral part of the organisations' activities. Isomorphic change would suggest that new MCS were largely adopted for legitimating purposes and therefore likely to be loosely coupled with organisational activities (Collier, 2001; Tsamenyi *et al.*, 2006). This explanation stems largely from the New Institutional Sociological theory of DiMaggio and Powell (1983) that argued that when confronted with diverse institutional isomorphism, organisations will tend to adopt similar structures that will make them look alike though these systems may not necessarily be coupled with day-to-day decision making.

Collier (2001), using an ethnographic study, investigated MCS change in a police force, the West Mercia Constabulary, in which MCS change was forced by reforms in policing. Collier reported that accounting acts as a discourse between operational policing and the external demand of accountability. Similarly, Hassan (2005) found that, in the Egyptian health sector, reform management accounting systems were acted upon to reform the sector; however, the systems were resisted in the hospitals being reformed. In a study of a Spanish Electricity company, Tsamenyi *et al.,* (2006) found that MCS change was precipitated by the deregulation of the Spanish electricity sector as a result of European Union directives. The authors found resistance to the implementation of the new MCS.

In the case of developing countries, MCS change is influenced mostly by the World Bank and IMF (Uddin and Hopper, 2001; Uddin and Tsamenyi, 2005). The World Bank and IMF have often put pressure on developing country governments to embark on Structural Adjustment Programmes; public sector reform is an integral part of these reforms (Hopper *et al.,* 2009; Uddin and Hopper, 2003). Researchers have investigated change in MCS in developing countries following public sector reform (see the next section for a discussion on this).

In sum, MCS change results from both broader external factors - social, economic and political factors and factors internal to the organisation (Cobb *et al.*, 1995; Burns and Scapens, 2000a).

Another aspect of MCS change examined is the process of change (see Burns, 1999; Scapens and Roberts, 1993; Siti-Nabiha and Scapens, 2005; Nor-Aziah and Scapens, 2007). These studies were in a way in response to Hopwood's (1987 p. 207) plea that.

> Unfortunately, however, very little is known of the processes of accounting change. As of now we have only limited understanding of the conditions which provide the possibility for particular conceptions of the accounting craft, the forces that put accounting into motion, the processes accompanying accounting elaboration and diffusion, and the varied human, organisational and social consequences that can stem from changing accounting regimes.

The studies that have examined the process of MCS change have explored issues such as the type of change, for example evolutionary versus revolutionary (Burns and Scapens, 2000a; Coad and Cullen, 2006) and the resistance to the change (Cobb *et al.*, 1995; Collier, 2001; Tsamenyi *et al.*, 2006). In terms of the type of change, Caccia and Steccolini, (2006) conducted a case study of an Italian medium-sized municipality that had changed its accounting system following Italian local government reforms. They reported that MCS change was proceeding in both revolutionary and incremental ways.

2.5 Management Control Systems in Developing Countries

The term 'developing countries'; the term 'less developed countries' (hereafter, LDCs) or 'third world countries' are all used interchangeably. Hopper *et al.* (2009) noted that the task of defining developing countries is problematic and fraught. Wallace (1990) described developing countries as countries found mainly in Africa, Asia, Latin America, Oceania and the Middle East, most of them having gained independence from colonial authorities from the 1950s and onward. Developing countries are characterised as having low rates of per capita income, capital formation and value added (Hopper *et al.*, 2009). Other criteria are also used in categorising developing countries. For instance, the World Bank has classified[3] developing countries as those countries whose Gross National Income (GNI) is $11,905 or less.[4]

[3] The World Bank classified economies into four categories based on their GNI as follows: high income (GNI $11,906 or more), upper middle-income (GNI $3856 to 11,905), lower middle-income (GNI $976 to 3,855) and low-income (GNI $975 or less) (World Bank, 2008, see, http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,contentMDK:20420458~menuPK:64133156~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html).

[4] http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20420458~menuPK:64133156~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html

Wallace (1990) argued that developing countries are entirely different from developed countries and need different methods to develop. They are a heterogeneous group, with poverty as their common characteristic. Developing countries have all experienced or are experiencing a different level and rate of development, and have a varied level of economic and political development, population size, literacy level, natural resources and different social, political and economic systems (Wallace, 1990).

There is little MCS research on developing countries, and these studies are mainly on financial accounting; management accounting is sparsely researched though the trend is now changing[5] (Hopper *et al.,* 2003, 2009). Attempts to review the literature on accounting in developing countries have been made by Jaggi, (1973), Samuel (1990), Wallace (1990), Needles (1994, 1997) and Rahaman *et al.* (1997). However, the reviews have concentrated more on financial accounting, with minimal attention to issues regarding management accounting research. This lack of research is not surprising, when compared with the findings of Enthoven (1977). Enthoven examined accounting in sixteen developing countries, and found that the role of accounting was reduced to a financial function to the neglect of management accounting.

However, a review which concentrated on MCS was provided recently by Hopper *et al* (2009). Hopper *et al* categorised MCS literature in developing countries using a cultural political framework into five stages of transition: colonial despotism, state capitalism, politicised state capitalism, market capitalism and politicised market

[5] The change was attributed to an increase in the globalisation of capital market and competition, government adopting structural adjustment programmes, newer less Western-centric accounting journals, diaspora accounting scholars from developing countries to developed countries and developing countries, PhD programmes that encourage student to conduct indigenous research (Hopper *et al.,* 2003, 2009).

capitalism. Their review which provides some useful insights into the state of management accounting in developing countries covered lower to upper middle income bands of World Bank categorisation. Although the review conducted by Hopper *et al.* (2009) is timely, it was, however, broad and did not concentrate on specific management accounting topics. Also, as the Hopper *et al.*, paper is heavily theorised using Burrawoy's labour process theory (see also Uddin and Hopper, 2001) hence some issues that did not fit into the theory were not given much attention. For example, issues such as the relevance of western accounting systems and management accounting did not receive much attention in their study.

This section aims at reviewing the literature on MCS in developing countries, looking at some specific issues in much greater depth in order to provide the rationale for the thesis. This review divides the main issues identified in the literature on MCS in developing countries into three categories. The first category analyses issues on the relevance of accounting systems (MCS included) in developing countries. The second category examines the nature and role of MCS in the enterprises of developing countries. This category includes studies on budgets, budgetary controls, performance measurements systems and informal control. The third category reviews the literature on MCS change; issues such as the factors that influence MCS change and the role of MCS in such change are all examined. However, some of the studies correspond to more than one category, and, in order to reflect this correspondence, these studies are dealt with under more than one category in the review.

2.5.1 Relevance of Accounting Systems in Developing Countries

Accounting systems and practices found in many developing countries were originally imported from developed countries. Many developing countries had adopted accounting systems from Europe and North America (Briston, 1978). These systems and practices were imposed by developed countries through colonialism (Hove, 1986; Perera, 1989; Wallace, 1990). Other factors that aided their spread were the operations of multinational corporations, professional accounting organisations and the special conditions of economic aid agreements (Hove, 1986).

Researchers have argued that the western accounting systems and practices were imported without consideration to the specific local environment features of developing countries (Perera, 1989; Ansari and Bell, 1991; Hopper *et al.*, 2003). For example, the economies of developing countries are unstable and in rapid decline (Wallace, 1999). The imported systems and practices were not relevant to the needs of these countries (Briston, 1978; Hove, 1982; 1986; Samuels and Oliga, 1982; Wallace, 1990). Hove (1986), Perera (1989), Ansari and Bell (1991) and Hopper *et al.* (2003) stress that the western accounting systems and practices were designed to deal with problems peculiar to Western countries, and some of them are not related to developing countries. These inappropriate systems have led to unreliable information for economic decisions and proper resources allocation for economic development. For instance, Samuels and Oliga (1982) argued that problems in developing countries come from their inability to stay away from foreign models; they believe that accounting that can contribute to the economic development of developing countries would not come from the western industrial accounting doctrines. Perera (1989) argued that the systems and practices were inapplicable owing to the differences in business environments, ownership structures, users of accounting information, and disclosure altitude. For instance, Rahaman and Lawrence (2001), using a case study of the Volta River Authority Ghana (hereafter, VRA), examined the conventional view on the widespread deficiency of public sector accounting and financial management in developing countries. They found technically sound and well-operated systems in VRA. However, the systems masked a deeper deficiency, which was revealed through the appreciation of the socio-political context in which the VRA operates. Those deficiencies hinder the achievement of the original objective which VRA was aiming to achieve (the socio-economic development of Ghana). They argued that the accounting systems in VRA protect the interests of external parties against those of the Ghanaian public, who were meant to benefit from the project.

While arguments could be made against the adoption of western accounting practices in developing countries few studies found that western accounting systems are in fact relevant to developing countries. For example, Abdeen (1980) found that Western MCS are applicable to Syrian context. A similar conclusion was reached by Chan and Lee (1997). Chan and Lee reported that western accounting systems are relevant in the Chinese companies they studied. According to Baydoun and Willett (1995) the literature on the relevance of Western accounting systems to developing countries is vague in its assessment of what aspect fails to meet the test of relevance to the needs of developing countries.

These earlier works concentrate on the inappropriateness of western MCS to developing countries to the neglect of finding what is appropriate to these countries. It is undeniable that certain aspects of western accounting systems would not work in developing countries. But researchers have failed to explain which aspects work and which ones do not. For example, in their studies on large commercial-oriented enterprises in developing countries, Hopper *et al.* (2003, 2009) stressed that the management accounting systems in operation in these enterprises are not substantially different from those in firms in advanced economies. However, how these systems operate in practice differ from those in the advanced countries. In particular, the authors identified the social and political constituted nature of management accounting in these developing economies.

2.5.2 Nature and Role of Management Control Systems in Developing Countries

Developing countries accounting are rooted in complex cultural-historical, financial-economic, professional, legal and education and training variables (Enthoven, 1977); these, together with a turbulent environment, affect the operation of accounting systems. The nature and role of MCS in developing countries enterprise have been examined by various researchers (Alam, 1997; Hoque and Hopper, 1997; Sulaiman *et al.*, 2004). Some studies found that management accounting such as budgeting plays a significant role in organisational activities. For instance, (Alam, 1997), using a case study of two state-owned enterprises in Bangladesh, examined how the budgetary process is used to manage the technical and institutional environment. Alam found that, in a condition of high uncertainty, budgeting is oriented more towards the management of external relationships with significant institutional actors than with the management of the organisation itself; also, in a more moderate uncertainty condition, budgeting appears to be more functional in the management of organisational tasks.

Hoque and Hopper (1997) investigated how sets of environmental factors affect budgeting characteristics in the nationalised jute mill enterprises in Bangladesh. Deriving five external key factors from an intensive fieldwork (political climate, industrial relations, competition, aid agencies and government regulations) influence budgetary-related factors (participation, accountability for budget, budget evaluation, budget analysis, interactions among managers and budget flexibility). They established that managers placed a strong emphasis on budget control when they perceived their mill to be in highly competitive circumstances. They reported a significant association between the related behaviour of managers and environmental factors. Political and industrial relation uncertainties are negatively associated with managers using budgetary control for conventional purposes.

Sulaiman *et al*. (2004) found that the use of budgeting in planning, control, and performance evaluation remains high in India, Malaysia and Singapore. A similar finding was also reported by El-Ebaishi *et al.* (2003). The authors established that traditional MCS are perceived to be important in Saudi Arabia; they are widely used in the enterprises they studied. Similarly, Joshi (2001) found, in a study of 60 large and medium companies in India, that all the enterprises studied used budgeting for planning day-to-day operations and cash flow. In addition, 93 percent of the companies used budgeting to control costs, and 91 percent reported that they used budgeting for planning their financial position.

However, a different result was presented by Van Triest and Elshahat (2007). Van Triest and Elshahat surveyed forty Egyptian private enterprises; their result shows limited use of traditional and advanced MCS techniques. Advanced techniques such as activity-based costing were not applied, and costing was used for pricing and not for performance measurement, process improvement or cost reduction.

The above studies present MCS as playing a significant role in the enterprises of developing countries. However, whether MCS are the only means of control in those enterprises is not clearly stated. For instance, some studies found formal MCS to be ineffective in some developing countries (especially in public sector organisations) (Enthoven, 1973, 1977; Ouibrahim and Scapens, 1989; Uddin and Hopper, 2001). The state plays a significant role in developing country. Hopper *et al.* (2003, p. 17) stress this as follows:

> The role of the state is crucial to understanding management accounting in LDCs because it's so central economically. In the absence of large capitalist class, the state is a major source of capital formation, controlling large proportion of gross domestic product and employment opportunities. Small, educated elites, politicians and senior civil servants can reap large benefits from office often illicitly. Government are often unstable, switching from multi-party democracies to military dictatorships.

Enthoven (1973) found that budgeting was not used as a planning and control instrument. A similar conclusion was reached by Enthoven (1977) in a later study. The author reported that developing country enterprises make limited use of MCS in decision making. Using a case study of two enterprises in the construction industry, Ouibrahim and Scapens (1989) investigated the operation of MCS in the social, economic and political contexts of Algeria. They found that formal MCS did not play a significant role in the day-to-day activity of the enterprises; other than the senior managers and the financial officers at the head office, most participants in the study had little knowledge or interest in MCS. Managers use language of production at all levels to communicate with each other, not accounting language as was the case in capitalist organisations.

Similarly, in another Algerian study, Jones and Sefiane (1992) found that MCS reports were prepared in their case organisations; however, the reports were not used for planning, operational decision making and control; instead they are prepared to fulfil the requirement of external agencies and the exercise of annual expenditure aggregation. The study conducted by Hoque and Hopper (1994) of Bangladesh jute mills offered similar findings: accounting systems was mainly a response to external legitimacy, and budgeting was not a dominant mode of controls.

Uddin and Tsamenyi (2005) also established that, the Ghana Food Distribution Corporation (hereafter, GFDC) they studied, budgeting was directionless, delayed and ineffective. Likewise, Tsamenyi *et al.* (2002) examined the participation of managers in budget decisions and the use of budget as a planning and control device in four enterprises in Ghana, using interview and questionnaire methods. They found that senior managers made minimal attempts to collect information from the departments and branch managers during the budget development, while there is also a lack of requisite skills among the management accountants to develop financial aspects of the budget on their own. They noted that the acute shortage of fully trained accountants and management accountants has affected the utilisation of accounting information for internal management purposes. In addition, they reported that, in some enterprises, accounting information was either available in an improper form or not available at all.

While studies found formal MCS were ineffective in developing countries, some studies reported that managers employed informal methods in controlling their organisations. For instance, Hoque and Hopper (1994) found that, in a large nationalised jute mill in Bangladesh, managers employ different sorts of social/informal control, rather than the official MCS systems, to deal with complexity and uncertainty surrounding their activities. A similar finding was reported by Tsamenyi, *et al*, (2008). The authors found that culture and social control were employed in an Indonesian family-owned university; these rendered the organisation's formal MCS to be less relevant. In addition, Ansari and Bell (1991) conducted a study of an enterprise run by three brothers in Pakistan. The authors found that control was initially based on trust. However, following a financial crisis, one of the brothers introduced a formal MCS which led to a family dispute. The managers disliked their reduced discretion and the other brothers wanted the traditional controls restored, despite knowing that they would hinder efficiency.

Despite the fact that formal MCS are found to be ineffective in managing enterprises in developing countries, some researchers have established that they were employed to play a social and political role (Hoque and Hopper, 1994; Uddin and Tsamenyi, 2005; Wickramasinghe *et al.*, 2004; Uddin and Hopper, 2001). Hoque and Hopper (1994), using a case study, examined the actual operations of MCS in Bangladeshi jute mills. Hoque and Hopper found that the mill managers had little influence over their operational activity; planning and control were done by head office and their sponsoring ministry. Control was done by politicians who intervened in the mill affairs to exercise patronage and gain party advantage. The mill managers were subjected to unwarranted and inconsistent demands from the politicians and workers which have come to be reflected in the mill culture, its environment and its performance.

Uddin and Tsamenyi (2005) made a similar observation in their study of GFDC in Ghana in which World Bank sponsored reforms were imposed; they found that, despite the reform budgeting remaining politicised, subordinate managers relied on powerful politicians to maintain the *status quo*. A similar finding was reported by Wickramasinghe *et al.,* (2004) in a longitudinal study of a Sri Lankan telecommunication company that had been privatised. The new owners (a Japanese company) eliminated the old MCS and implemented new systems. The new MCS worked for a time and commercial success was achieved. However, some employees who were unhappy with the changes allied with politicians and had the Japanese managers removed through the political control of regulatory systems.

Wickramasinghe and Hopper (2005), using a longitudinal case study traced how MCS operates in Sri Lanka textile mill. They found that attempts to implement conventional MCS had failed as a result of the traditional rural culture based on kingship obligation. The idealised MCS repeatedly tried to reproduce capitalist Mode of Production, and was caught in complex and indeterminate processes of transformation involving the state, political ideologies, trade unions, ethnicity, culture, organisational dynamics, financiers and markets.

The above findings show that culture, politics, social and economic factors play a significant role in shaping MCS in developing countries. Hopper *et al.* (2009) concluded that more needs to be known about the MCS in developing countries. They noted that, China apart, there is no intensive study in any developing country. They suggested that MCS research in developing countries needs to take into account the social, political, cultural and economic factors of the countries they study. This would suggest the need to adopt social theories in order to understand how MCS operates in these environments.

2.5.3 Change in Management Control Systems in Developing Countries

In developing countries, most MCS change is instrumented by the World Bank and IMF through policies such as Structural Adjustment Programmes (hereafter, SAP) (Toye, 1994; Cook and Kirkpatrick, 1995). Public enterprises are the dominant ventures in developing countries. Following independence, many developing countries have sought development through the creation of public enterprises (Hopper *et al.*, 2009) (see chapter four for a discussion of Nigerian public enterprises). However, the failure of such approaches has led international financial institutions, especially the World Bank and IMF, to put pressure on these to introduce SAP based on market policies; public sector reforms are among the policies, and MCS change is an integral part of the reforms. International organisations assume that private sector MCS are superior and can be established in reformed companies, and will result in more transparent MCS and improved performance. Overall, it is argued that the reforms will result in increased investment, a rise in Gross Domestic Product (GDP), as well as an increase in productivity and employment (Uddin and Tsamenyi, 2005; Uddin and Hopper, 2001).

Researchers have investigated change in MCS in developing countries. For instance, Uddin and Tsamenyi (2005), using a longitudinal case study, examined the transformation of accounting and performance in a state-owned enterprise GFDC in Ghana. Their findings were that there was no substantial change in budgetary practice apart from reporting that budgeting remained directionless, politicised, delayed and ineffective. Reporting to a monitoring agency introduced by the reform did not make any positive changes to accountability and performance. A similar finding was also reported by Mserembo and Hopper (2004). They examined the implementation and factors affecting the outcome of a Programme Planning Budgeting System (hereafter, PPBS) in Malawi, introduced as a part of the World Bank SAP loans condition using secondary data. Mserembo and Hopper established that, when viewed from the centre, PPBS may appear to result in a more co-ordinated style of planning. However, when viewed from the users and line ministries, the result appears to be different. The users participate less, and the data is often unreliable or absent. In addition, the analysis is cursory and the necessary resources and skills were in short supply. Factors such as nepotism and corruption, Acquired Immune Deficiency Syndrome (AIDS), refugees from the Mozambique civil war, floods and drought and lack of trained adequately rewarded staff all had negatively impacted upon the PPBS.

In another study, Uddin and Hopper (2003), examined the World Bank and development economics, claimed that privatisation facilitates development by improving controls within enterprises and the external regulation of financial markets by acting on external accounting reports. They analysed the post-privatisation performance of thirteen privatised enterprises, and compared their analysis with that conducted by the World Bank on the same enterprises. The World Bank presented a successful story. However, they found only one commercial success. Moreover, transparent reporting which was one of the arguments advanced by the World Bank did not materialise after the privatisation. A similar finding was reported by Sharma and Lawrence (2005) in their case study of Fiji Public Rental Board (hereafter, PRB) in which market-oriented practices were introduced as a result of pressures from aid agencies. They examined the implementation of private business techniques such as economic rent, performance measurement in the form of Balanced Scorecard and sale of rental flats to the tenants and their consequence to the Fijian society. They found that there were problems and tensions between the PRB commercialisation and its mission and vision statements. The implementation of private business techniques shifted PRB orientation from that providing welfare services to the poor to that run like a business, hence denying rental accommodation to scores of citizens. Thus while there were changes in the MCS, these changes had negative rather than positive effect on the people that the system was intended to benefit.

Wickramasinghe *et al.* (2004) also examined a partially privatised telecommunication company in Sri Lanka, to see whether partial privatisations involving Japanese management leadership created more effective management accounting systems and improved performance. They found that the Japanese owners had eliminated bureaucracy control and brought new management controls and reward systems, and had achieved some commercial success. However, some employees, who were allied with politicians frustrated with their exclusion from the organisational affair, had the manager removed and restored formal bureaucracy through a regulation system change. A similar finding was reported by Davie (2004) in a study of a state-owned forestry industry enterprise in Fiji that was corporatized; market-based accounting was introduced into the organisation as part of the reform. Davie found that the market-based accounting was resisted in the organisation. Thus the market based accounting system failed because of the resistance encountered with its implementation.

Similarly, Hassan (2005) found that in the Egyptian health sector reform, management accounting systems were acted upon to reform the sector; however, the systems were resisted in the hospitals being reformed. Uddin and Hopper (2001) investigated accounting changes in a privatised soap manufacturing company in Bangladesh that was nationalised following the country's independence and privatised in 1993, in order to give a grounded account of controls that existed in the organisation. They found that control in the enterprise was secured by political interventions, often at the behest of trade unions, for party politics rather than commercial ends. The enterprise maintained detailed systems of accounting for control and accountability. However, the systems were marginal, ritualistic, and de-coupled from operations.

The above studies illustrate the failure of the reforms enforced by international organisations in developing countries. For example, privatisation has not resulted in the glowing picture anticipated.

However, a contrary finding was presented by other studies. For instance, Tsamenyi *et al.* (2008a) conducted a case study of two privatised state enterprises in Ghana. They reported that the performance of the enterprise has improved. The improvement was accompanied by organisational changes, which included changes in MCS. A similar finding was reported by Hoque and Alam (2004) in a study of two privatised Bangladesh jute manufacturing enterprises. Hoque and Alam found that privatisation resulted in a positive MCS change. The enterprises studied had been transformed after privatisation from those making losses, with outdated model practices and driven by primary production to the top five profit earners in their sector, with a modern MCS and accounting practices. Similarly, Anderson and Lanen (1999) reported that following Indian economic reform in 1991, enterprises perceived budgeting as being more meaningful, realistic and useful, especially when forming strategy. Also, O'Connor *et al.* (2004) reported that the main objectives of change in MCS in China were to improve decision making and performance accountability. The changes were found to be in response to an increase in the competitive environment, and had also influenced institutional factors such as joint venture experience and stock exchange listing

Some studies have investigated the impacts of the political system of developing countries on organisations and hence MCS practices. For example, Olowo-Okere (1999) examined the impact of military rule on the changes in Nigeria's government financial control systems and accountability. He found that each regime wants to do something different from the other regimes in order to be seen as accountable, but none of the changes had made any impact on accountability. Hence, most of the change had not materially influenced practices; rather, they had a negative impact on financial control and accountability practices. Moreover, the majority of the changes are formalistic because of the political instability created by the military which disallowed continuity and lack of genuine commitment to change.

The implementation of contemporary MCS in developing countries was investigated by Ed-Ebaishi *et al.* (2003) who found that in Saudi Arabia recent developed MCS usage is limited, enterprises perceived traditional MCS as important, and they are predominantly used in the companies they studied. Kholeif *et al*. (2005) examined the failure of an ERP system in an Egyptian-based commercially state-owned enterprise in which the system is imposed by its holding company and top management. They found that the implementation had failed owing to conflict between local practices and global EPR built-in practices. Accountants resisted the system through their control of resources required in the implementation process. ERP was perceived as a major threat to the survival of the organisation and its members. The implementation also faces context problems, which included its non compatibility with the established way of thinking and norms of behaviour embedded in the existing accounting routine, lack of expertise and insufficiency of resources.

Waweru *et al.* (2004), using a case study of four firms, investigated the adoption of contemporary management accounting in the retail service industry in South Africa. They found a considerable change in the use of contemporary management accounting, especially activity-based cost allocation and the balanced scorecard approach to performance measurement. They attributed the changes to the recent environmental changes in South African economy arising from government reform/deregulation policies and global competition. Similarly, Luther and Longden (2001) investigated management accounting techniques and change in South Africa. They examine the extent to which benefits derived from using management accounting are independent of a country and its business environment. 139 questionnaires were analysed, together with 77 from the UK that served as a benchmark for comparison. They found a significant change in the perceived benefits derived from management accounting techniques in South Africa over the period 1996-2002, and also that the benefits differ from those in the UK.

2.6 Summary of the Chapter

This chapter has reviewed literature pertinent to the issues under discussion in the thesis. The chapter began by conceptualising MCS: what MCS is and its relevance in organisations were discussed. The review identified that MCS is made up of various elements, and some of these elements were discussed. However, the conceptualisation and definition of MCS is influenced by researchers' ontological and epistemological assumptions. Researchers operating from the positivistic paradigm tended to emphasise the rational decision making role of MCS while those operating from the non-positivistic paradigm tended to emphasise its social and political role.

The review has also revealed that emphasis is now shifting to understanding management accounting change. This review identified the drivers of such change, from the relevance lost debate, which triggered the development of new MCS systems. Other factors such as NPM, and changes in the business environments contributed to MCS change.

The review also concentrated on MCS in developing countries. The review suggested that MCS in developing countries though may be similar in form to those in developed countries are likely to operate differently because of differences in social, economic and political contexts. MCS are more likely to be loose coupled in organisations in developing countries because of the dominance of these social and political structures in enterprises in these countries. Part of the review therefore questioned the relevance of MCS imported from the west to developing countries. In general, a case could be made against such importation though few studies have found that these imported systems actually work in developing countries.

The above review has identified gaps that need to be filled. First, the review of the studies on MCS in developing countries has suggested conflicting results. For example, while some studies found that public sector reforms impact positively on MCS, others found that they do not. These conflicting results therefore warrant further country specific studies to examine the impacts of public sector reforms on MCS in developing countries. Specifically, it can be argued that the process, nature and consequence of these reforms cannot be generalised but need to be contextually understood, hence the need for this study.

Another gap in the literature is the lack of management accounting research on the public sector in general. This has been recognised over a decade ago by Broadbent and Guthrie (1992) and Broadbent (1999) who called for more research in MCS in the public sector. Though few public sector studies have been conducted since, more research is needed in particular on the impact of new public management ethos on MCS. For example, what types of changes in MCS does the NPM ethos bring about? Are these changes revolutionary or incremental? Are the changes resisted or accepted? These are some of the empirical questions that require further studies. This study is in line with this call for research, as to date this thesis is the first study to have looked at MCS in the Nigerian public sector. By examining the nature of change in the MCS of the case organisation, the study will also contribute to Burns and Vaivio (2001) and Burns and Scapens (2000a) call for research in MCS that examine both formal and intentional change/stability processes and informal and unintentional change/stability; this thesis aims to examine change in both formal and informal MCS in NSC.

Having reviewed the pertinent literature for the study, the next chapter presents the theoretical framework for the study.

CHAPTER THREE: THEORITICAL FRAMEWORK

3.1 Introduction

This chapter presents the theoretical framework adopted for this research. A theoretical framework is important in any research, as it helps the researcher to understand things which s/he might have otherwise overlooked (Macintosh, 1994). According to Humphrey and Scapens (1996), a theoretical framework is an essential starting-point for any case study research; however, they warned that researchers should hold the framework loosely, so that it can be challenged and refined as a result of the research process. Actor Network Theory (hereafter, ANT) is adopted in this study as a sensitising device in order to understand the reform processes and their impact on Management Control System (hereafter, MCS) in the case site. The empirical evidence from the case site also lends support for ANT as an appropriate theoretical framework for the study. The empirical evidence shows that the public sector reform processes examined comprise of various internal and external actors who have shaped and were themselves shaped by the reform process.

The chapter is structured into six sections. Following the introduction, the next section examines the origins and foundations of ANT. This is subsequently followed by a critical evaluation of ANT as concept. Section 3.4 discussed the creation of actor networks as a process of translation and the role of intermediaries in creating networks. Following this, the previous management accounting studies on ANT are briefly reviewed and the relevance of ANT to this study. The proposed framework for the study is then presented followed by a chapter summary.

3.2 The Origin and Foundations of ANT

ANT originates from the discipline of science and technology studies. Its ideas were developed in the 1980s, primarily from the work of Bruno Latour, Michael Callon and John Law (see, for instance, Latour and Woolgar, 1979; Callon, 1986, 1987; 1991; Calon and Latour, 1981; Latour, 1987, 1993, 1996, 2005; Callon *et al.*, 1986; Law, 1991, 1994; Law and Callon, 1994).

ANT was developed with the aim of defining social realities in the construction of scientific knowledge and technological innovation (Wickramasinghe and Alawattage, 2007). ANT focuses on explaining how actor-networks get formed, are maintained or eventually breakdown. ANT has been widely adopted in other fields (Walsham, 1997; Lee and Hassard, 1999), such as sociology (Law, 1991, 1994), psychology (Michael, 1996), anthropology (Strathern, 1996), politics (Moll, 1999), economics (Callon, 1988). ANT has also been adopted in a number of accounting studies (Preston *et al.*, 1992; Robson, 1991, 1992; Chua, 1995; Lowe, 2000, 2001a; Chua and Mahama, 2007).

Vandenberghe (2006) summarised the main tenets of ANT into three, namely; science is social (Latour, 1988), society is natural (Latour, 1996), and nature and society are constructed through a social-technical network (Callon and Latour, 1981). To explain these issues further, Latour argues that the world view uses one dimensional language operating in the framework of opposite poles of nature and culture. Knowledge and artefacts are often explained by either society (social constructivists) or by nature (realism); to transcend this dualism, a second dimension is required; this dimension is the process of society/nature construction, which results in the stabilisation of a strong network (Latour, 1992, 2005). Society and nature are construed as an outcome of a common practice (Latour, 1987, 2005). In other words, science/technology are theorised as a product of a process of 'heterogeneous engineering' in which the social, the technical, the conceptual and the textual are fitted together (or juxtaposed) and transformed (or 'translated')[6] into a set of equally heterogeneous scientific products (Latour, 1987; Law, 1992).

Latour (1992) argues that a scientific innovation is developed through a network as a consequence of the enrolment of human and non-human allies into that network. In other words, science and technology are the product of enrolling and controlling various human and non-human allies; the human allies may consist of academics, consultants, colleague and readers, while the non-human may include other inputs such as concepts, ideas, theories, instrument and models (Wickramasinghe and Alawattage, 2007). Thus, together these human and non-human allies (actors) contribute to the development of scientific and technological innovations. In his famous work Science in Action (Latour, 1987), Latour emphasises the importance of bringing both human and non-human actors together in the network as:

> Fact construction is so much a collective process that an isolated person builds only dreams, claims and feelings, not facts… One of the main problems to solve is to interest someone enough to be read at all; compared to this problem, that of being believed is, so to speak, a minor task (1987; p. 41)

Thus, the production of facts and artefact involves the enrolment and negotiation of various actors into the network.

The process of developing scientific and technological knowledge discussed above can also be extended to other analysis and can contribute to our understanding of how

[6] Translation is a very important concept of ANT, and is discussed in section 3.4.1

institutions or practices evolve. It can enable us have a better understanding of how society for example is constructed. Thus society can be theorised as being built of heterogeneous elements comprising people, objects and technology (see for instance, Latour, 2005). ANT argues that we would not have society if it were not for the heterogeneity of the social networks. Social life (family, organisation, computing systems, economy and technologies) is a collection of ordered networks of heterogeneous materials (Law, 1992, Latour, 2005). ANT treats the social world as a set of related bits and pieces with no defined social order but instead the social world evolves as a result of continuous attempts at ordering through the formation and stabilisation of networks (Stanforth, 2006). Thus, social order is an effect generated by heterogeneous means.

As discussed above, a network is important because this is where both human and non-human actors interact to create social order. Actors operate within a network to create social order. ANT attributes agency not only to the humans but also to the non-humans in the network. The term actor-network therefore refers to a heterogeneous network of aligned interests which includes people and objects (Walsham, 1997). The term 'actor' is described by Callon and Latour (1981, p. 286) as "Any element which bends sAlpha around itself, makes other elements dependent upon itself and translates their will into the language of its own." In other words, an actor is "Something that acts or to which activity is granted by others," and can thus be human or non-human and can be an entity or a collection of entities (Doolin and Lowe, 2002, p. 72).

ANT is based on a loose definition of who an actor is; in other words, ANT it "assumes the radical indeterminacy of an actor. For example, an actor's size, its psychological make up and the motivations behind its actions – none of this is predetermined" (Callon, 1999, p. 183). Thus, actors gain their attribute as a consequence of the relationship in which they find themselves in. Actors are shaped by "the performative character of relations and the objects constituted in those relations" (Law, 1999, p. 7). Callon elaborates on this by arguing that "the actor network is reducible neither to an actor alone nor to a network… An actor network is simultaneously an actor whose activity is networking heterogeneous elements and a network that is able to redefine and transform what it is made of" (Callon, 1987, p. 93) suggesting that an actor is always a network thus, while an actor is part of the network, that actor is itself an effect of the network of heterogeneous elements (Law, 2003; Law, 2007). For example, a car is an actor, but once it breaks down the network it is made up of becomes visible. This is because when a network acts as a single block, the network disappears and is replaced by the action itself and the seemingly simple author of the action. At the time the way the effect is generated disappears, it is neither visible nor relevant. This effect is termed as 'punctualisation' (Law, 1992; Law, 2003). However, punctualisation ceases when actor networks break down.

3.3 A Critical Evaluation of ANT

The ANT approach is considered as a radical social theory. Vanderbenghe (2006, p. 74) described ANT as "one of the most original, provocative and iconoclastic sociologies currently on offer." ANT applies the semiotic insight of relationality, the notion that entities are produced in relation to all materials and not only those that are linguistics (Law, 1999); thus, it forbids the assumption that entities have pre-existence (Callon and Law, 1989). For instance, ANT resists any explanation that appeals to the essential characteristics of actors (such as technology or society), to the exploration of how phenomena are produced through networks of artefacts, people and institutions. ANT aims at denaturalising phenomena by viewing them as continually being made and remade in contrast to existing ‘out there’ with inherent properties and characteristics (Whittle and Spicer, 2008). By taking a social constructivist approach, ANT avoids essentialist explanations of how events occur and instead attributes this to the result of unstable and dynamic networks of relations.

Similarly, ANT does not subscribe to the dualism with regard to the separation of the human and non-human; instead ANT brings together human and non-human, social and technical factors into the same analytical view (Walsham, 1997; Hassard *et al.*, 1999). ANT thus rejects the reductionist[7] accounts that the character of social stability or change is determined by either people or machines. According to ANT, social interactions might shape machines, or machine interactions might shape their social counterparts (Law, 1992). ANT therefore recognises that material-semiotic (concept) interact to work together to form networks. However, Law (1992, p. 3) stresses that it “is an empirical question and usually matters are more complex…artefacts may indeed have politics. But the character of those politics, how determinate they are and whether it is possible to tease people and machines apart in the first instance - are all contingent questions.”

ANT analysis is also concerned with the production and exercising of power. From an ANT perspective, power can be construed as an outcome produced and reproduced through a network of heterogeneous actors rather than through a single social dominant group (Latour, 1986, 2005; Callon, 1986). In other words, ANT argues that

[7] The reductionist account suggests that either human or machine relations are determinate and that one drives the other (Law, 1992).

entities acquired their power through the number and stability of association routed through them; hence power is accomplished less through matter like leadership and hierarchy and much more through material distribution (Latour, 1986; Munro, 1999). Callon (1986, p. 224) stresses that "understanding what the sociologists generally call power relationships means describing the way in which actors are defined, associated and simultaneously obliged to remain faithful to their alliances."

In addition, empirical understanding is emphasised by ANT (Lee and Hassard, 1999; Stanforth, 2006). In fact, Latour suggests that we should study science/technology in action, not a ready made science/technology (Latour, 1987). This argument suggests that we should focus on processes rather than merely on outcomes. Law (2007) stresses further that even understanding the ANT approach itself requires understanding the empirical case studies on which it was grounded. This argument has methodological implications which are discussed in chapter 5.

ANT is however not without criticisms (see, for instance, Collins and Yearley, 1992; Pels, 1995; Bloomfield and Vurdubakis, 1999; Mclean and Hassard, 2004). The main focus of the criticism has been on ANT's symmetrical treatment of the human and non-human (Hassard *et al.*, 1999; Mclean and Hassard, 2004). In other words, ANT's insistence on the agency of nonhumans has been widely considered as controversial. Munir and John (2004) argue that ANT symmetrical treatment has missed the important character of human action. Similarly, Collins and Yearly (1992) argue that the human ability to use language and other symbols in generating and interpreting meaning warrants a distinct ontological category. Moreover, Collins and Kusch (1988) distinguish between polymorphic actions (those that rely on social awareness) and mimeomorphic actions (those that do not rely on social awareness); they argue that human are capable of both mimeomorphic and polymorphic action, whereas a machine is capable of mimeomorphic action only. Thus a machine could be a tool to help do things; it can act as a proxy to replace a human being, but it lacks intention and can only behave where people act. This argument suggests that machines or technology are incapable of acting or thinking as humans and therefore should not be accorded the same status in the construction of the social world.

ANT has also been criticised for assuming that an actor has no fixed boundaries (see for instance, Whittle and Spicer, 2008). The authors argue that ANT relies on those assumptions when partitioning the world. Using the work of Latour (1991) they provide an example in which a hotel manager tried to remind his guests to return their keys before leaving the hotel. In that study, Latour partitioned the analysis into hotel managers and guests, weighty key fobs (material artefacts) and signs (texts).

3.4 Some Concepts of ANT

In this section, the ANT concepts of translation and intermediaries have been discussed. These concepts are very important, as they present a way of analysing how facts are constructed. The construction of MCS can be analysed through these concepts. The translation and intermediaries are discussed below.

3.4.1 Network as a Process of Translation

ANT is based on the concept of translation hence it is sometimes referred to as the sociology of translation. Translation explains the process of how actor-networks are built consequently its centrality to ANT analysis (Callon *et al.*, 1986; Latour, 1987;

Brown and Capdevila, 1999). It is the process by which initiating actors enrol and interest other actors into the actor network they are building (Callon, 1986, Latour, 1987). Stranforth (2006) described translation as the mechanism by which networks progressively take form, resulting in a situation where some entities control others. Translation is important to this thesis as the main objective of the study is to analyse the process of the public sector reforms in Nigeria using NSC as a case. The concept of translation will therefore enable the researcher to tease out how the reform actor networks were built and how these networks are maintained over time.

In explaining the concept of translation, Callon (1991) suggests that the nature of interaction between actors and their networks is never final; thus, when two translations are linked together they generate a third translation which may bring together other actors that would otherwise have been separate (Callon, 1991), suggesting the instability of actor networks. However, the observer should not adopt a position of one of the actor-networks, since networks by their definition are formed out of collaboration and composition of all the relevant but more or less compatible actor-networks. Despite this heterogeneity, we are likely to find textualisations that are sometimes in agreement. Sometimes it is possible to make links – and it is in this process that we most seek commensurability rather than in the cogitative capacities of actors. However, the extent to which translation is accepted and performed varies. Sometimes there are conflicts and controversy, and the translation is rejected (Callon, 1991).

Translation has four main stages which Callon (1986) described as the four moments. These four moments explain the process of translation or how ideas come to be formed and accepted in the actor network. These four moments are problematisation, interessement; enrolment and mobilisation. In his study, Callon (1986) examines the progressive development of new social relationships through the construction of scientific knowledge that occurred in the 1970s. He followed actors through their construction and deconstruction of nature and society. Callon presents how scientists and fishermen representative were assembled in order to examine the possibility of increasing the production of scallops in St Brieuc Bay in France through controlling the cultivation of scallops. During their trip to Japan, three scientists discovered that scallops were intensively cultivated there, thus increasing the level of scallops; this was the result of their successful domestication.[8]

Upon their return, the three researchers ***'problematised'*** (first moment) the issue by suggesting that the Japanese technique could be replicated in France. The researchers determined a set of actors and defined their identities in such a way as to establish themselves as an 'obligatory point of passage'[9] in the network of relationships they were developing. This double movement, which rendered the researchers indispensable in the network of relationship, is what Callon referred to as 'problematisation'. In other words, problematisation is the process by which the main actors (also referred to as focal actors)[10] identify the problems that need to be solved and determine the set of actors and define their identities; thus problematisation describes the process of alliances/associations.

[8] "The larvae are anchored to collectors immersed in the sea where they are sheltered from predators as they grow. When the shellfish attain a large enough size, they are 'sown' along the ocean bed where they can safely develop for two or three years before being harvested" (Callon, 1986, p. 202).

[9] Obligatory passage point is a situation that has to occur in order for all the actors to satisfy the interest that has been attributed them by the focal actor.

[10] A focal actor is a spokesperson, i.e. someone who speaks for others who, or which, do not speak. There is no distinction between the spokesman of people and things; they all represent those that cannot talk (Latour, 1987). In other words, a spokesperson is a representative of other actants, who act as their mouthpiece.

In Callon’s study, the three researchers (focal actors) showed that the interests of other actors (the fishermen of St Breiuc, scientific colleagues and the scallops) lay in acknowledging their research programme: “if the scallops want to survive (no matter what mechanisms explain this impulse), if their scientific colleagues hope to advance knowledge on this subject (whatever their motivations may be), if the fishermen hope to preserve their long term economic interests (whatever their reasons) then they must: 1) know the answer to question: how do scallops anchor? and 2) recognise that their alliance around this question can benefit each of them” (Callon, 1986 p. 206). Callon assigned the role of actor to scallops (non-human).

Furthermore, problematisation “indicates the movements and detours that must be accepted as well as the alliances that must be forged” (Callon, 1986, p. 206). The actors in the network are tied together and none can attain what they want by themselves; thus, one actor may accept a particular problem from the other actor, other than that the network will be dissolved, leading to none of the actors achieving their goals.

The second process of translation is ***“interessement”,*** described by Callon as the group of actions by which an entity attempts to impose and stabilise the identity of the other actors it defines through its problematisation. Different devices are used to implement actions which bring actors into relationships with one another and also shield any possible competing relationships with other entities; thus social structures comprising both social and natural entities are shaped and consolidated. The fishermen, the scientific colleague and the scallop became looked up using the device of interessement. In Callon’s study, the researchers used physical towline immersed in the St. Brieuc Bay water (this provides support for scallops' larvae anchorage), that is the interessement of the scallops. The anchorage also confirmed the validity of the researchers' problematisation. For the scientific colleagues and the representative(s) of the fishermen, meetings, debates and texts are the devices used.

The third moment is ***enrolment***, which is achieved when interessement is successful. Enrolment is described as: "The group of multilateral negotiations, trial of strength and tricks that accompany the interessement and enable them to succeed" (Callon, 1986, p. 211). The fourth moment of translation is ***mobilisation*** which Lowe (2000) refers to as how the enrolling actors control the other actors enrolled to ensure that their representation of interests stays fixed. Here the notion of who represents and speaks in the name of whom was introduced. The mobilised scallops were represented by a few larvae that cooperate by successfully anchoring themselves. The scientific community was represented by three researchers who attended the conference and read the articles; the fishermen were represented by their professional delegates who supported and agreed to participate in the project. In all the cases, only a few actors were interested in the name of the masses they represented or claimed to represent. The three researchers displaced and transported the scallops into the conference room using a series of graphs and tables. This discussion committed an uncountable population of silent actors, the fishermen, the scallops and the research specialists, who were all represented by a few spokespersons. Thus, a diverse population was mobilised.

Successful mobilisation results in actors speaking in the same voice that is the creation of a consensual network with limited margin for manoeuvre. However, this consensus can be contested at any time: “Translation becomes treason (Callon, 1986, p. 219).” In Callon’s study, translation was betrayed (dissidence) as the scallops stopped anchoring, and one winter the fishermen (disregarding their spokesmen) invaded the protected areas and trawled the larval ground there by destroying the collectors. The betrayal by the scallops and the fishermen caused the three researchers’ strategy to wobble; is anchorage an obligatory passage point? The scientific colleague also became sceptic. Callon stresses that it is not only the state of belief that fluctuates with controversy, but also the identity and characteristics of the actors implicated change as well.

Callon stresses that translation implies the continuity of displacement and transformation. However, “To translate is to express in one’s own language what others say and want, why they act in the way they do, and how they associate with each other: it is to establish oneself as a spokesman. At the end of the process, if it is successful, only voices speaking in unison will be heard (Callon, 1986, p. 223).” Callon also stresses that “Translation is a process before it is a result.” Translation is the mechanism through which the social and natural worlds gradually take form, and the result is a situation in which some entities control others.

3.4.2 Network as a Product of Intermediaries and Actors

According to Callon (1991), networks of relationships are built through intermediaries. Intermediaries are “Anything that passed between actors which define the relationship between them (Callon, 1991, p.134).” Callon (1991) identified four main types of intermediaries, which are, texts, human skills, technical artefacts and money. For instance, scientific text “May be seen as an object which makes connections with other texts and literary inscriptions. The choice of journal, of language and of title - these are the methods by which the article seeks to define and build an interested audience. The list of the authors tells of collaboration and the relative importance of each contribution. Here then is the start of a network" (Callon, 1991. p. 135). Callon explained further that the network is extended when the text is referenced or cited; the text is inserted into a new relationship with other new actors identified and brought together into a new work. Thus, within texts a population of human and non-human entities can be linked. Hence, action works through the circulation of intermediaries. Furthermore, intermediaries may also operate through complex associations, thereby creating mixture of intermediaries (hybrid or monsters) (Callon, 1991).

However, Callon questions if action circulates through intermediaries; why then do we need the notion of an actor in the analysis, why not do with that of intermediaries. Callon presents the answer as it has to do with authorship, which is often inscribed in the intermediaries themselves. Thus, "An actor is an intermediary that puts other intermediaries into circulation (Callon, 1991, p. 141)." An actor is an author and "defined in this way an actor is an entity that takes the last generation of intermediaries and transforms (combines, mixes, concatenates, degrades, computes, anticipates) these to create the next generation (Callon, 1991, p. 141)." For instance, firms combine machine and human skills into products and consumers.

Furthermore, Callon (1991) stresses that "All groups, actors and intermediaries described a network: they identify and define other groups, actors and intermediaries, together with relationship that bring these together… but the network of intermediaries accepted by an actor after negotiation and transformation is in turn transformed by that actor. It is converted into a scenario, carrying the signature of its authors, looking for actors ready to play it roles (Callon, 1991, p.142)." However, Callon (1991) stresses that the distinction between an actor and an intermediary is purely a practical matter.

As mentioned earlier, the concept of intermediaries is relevant for the analysis in this thesis. For example, text and money can be identified as the intermediaries that bring the reform actors into the relationship. Text in the form of economic reforms with public sector reforms as one of it key elements, together with the economic crisis that badly hit the Nigerian economy, brought various actors with different interest to form a network that comprises humans and nonhumans.

3.5 ANT and Management Control Systems Research

Various MCS scholars have drawn from ANT. This section reviews such studies; the relevance of ANT to the thesis has been discussed and a theoretical framework for the thesis has been proposed.

3.5.1 Overview of MCS Studies that Draw from ANT

ANT has been drawn on in MCS studies that seek to understand the nature of MCS change and practices. These studies seek to understand accounting technology in the context of networks of human and non-human actors (Baxter and Chua, 2003). The focus of ANT analysis in management accounting has been on the unpredictable interaction of the human and nonhuman in the construction of accounting facts (Alcouffe *et al.*, 2008). The nonhuman actors, such as computers, operation manuals and other documents significant in the construction of the MCS technology have all been studied in previous management accounting studies.

The review of previous literature shows that the ANT approach has been employed in studying MCS change in both private and public sector organisations. For instance, Briers and Chua (2001) and Jones and Dugdale (2002) employed ANT to examine the diffusion and implementation of ABC. Similarly, Alcouffe *et al.* (2008) drew on ANT to examine the diffusion of the George Perrin Method (hereafter, GPM) and ABC in France.

Briers and Chua (2001) in an ethnography study of an Australian manufacturing company, drew on ANT and boundary object concepts (Star and Griesemer, 1989) to examine how accounting change occurred, how the change was enacted, what the preconditions and processes of change were, and how the success or failure of accounting change can be characterised. The author followed heterogeneous actor-network of global and local actors/actants and other allies.

Briers and Chua reported that change was the outcome of many diverse interconnections between local and cosmopolitan networks of actors. They also found that boundary objects aided in the mediation and temporary stability of the diverse actor-worlds. Briers and Chua argue that the success or failure of accounting change is a fragile construction that turns on the strength of different ties tying jointly many heterogeneous elements, rather than that an accounting system that 'fits' the strategic imperative of dominant stakeholders succeeds.

Similarly, Alcouffe *et al.* (2008), drawing from ANT, examined the diffusion of two MCS innovations -the GPM and ABC in France. The authors viewed the diffusion as a process of actor-network building and translation, drawing from Callon's four moments of translation. They reported that accounting change was not linear or foreseeable, as argued by Baxter and Chua (2003); rather they found that change was a drift of practice (Quattrone and Hopper, 2001).

The above studies depict MCS change as non linear. MCS change is the outcome of a relationship between various human and non-human actors. Various actors - both human and non-human - need to be enrolled and mobilised before change is achieved. In addition, what constitutes a successful or failed implementation is frail. Different actors may have different views regarding the success of an MCS system.

In public sector reforms studies, Preston *et al.* (1992) employ ANT in examining the introduction of management budgeting in the British National Health Service (hereafter, NHS). Similarly, Chua (1995) and Lowe (2000) employed ANT to study the introduction of the casemix cost accounting system in Australia and New Zealand. Preston *et al.* (1992) examined the introduction of a budgeting system drawing on ANT in a study of the production of a new budgeting system in the NHS; the authors examine the linkage between government statements and the introduction of accounting technology in a particular area. Preston *et al.* reported that MCS were not well-defined technologies that are designed and implemented (or face resistance). Rather MCS are fabricated and put together in a changing and fragile manner. Furthermore, emerging MCS were not "fixed technologies with a well-defined purpose, which reflects the pattern of responsibility but changing in constructions"

(Preston *et al.* 1992, p.561). The MCS initiatives emerged through the process of design and implementation.

Similarly, Chua (1995) used an ethnography study of three hospitals in Australia to examine the introduction and development of a casemix accounting and costing system, drawing on ANT. She studied how the various reforms in the Australian public sector translated into the introduction of a new costing system in hospitals, and how four major groups of actors, comprising academics, hospital personnel, State Department Officials and commonwealth personnel, all with diverse interest, formed a network to support the new system. She reported that accounting transformed the existing health organisations' representation and their activities, and that accounting change emerged following uncertain faith promoted by expert-generated inscriptions and rhetorical strategies, which were able to tie together shifting interests in an actor-network.

Furthermore, Lowe (2000) conducted a case in a large hospital in New Zealand drawing from ANT to examine the mobilisation of a casemix cost system and related information systems. The author examined the problems, the choice of accounting techniques and their implementation. Lowe reported that accounting techniques together with other devices were central to the process through which change was made in the hospital. Allies were enrolled into the change process by being exposed to accounting inscriptions, which were used in representing the cost and profit reality of their division and that of the entire organisation.

3.5.2 Relevance of ANT to the Study

The objective of this study is to examine how public sector reform networks were formed in Nigeria and how this impacts on the role of MCS in NSC. The studies reviewed above variously demonstrated the power of ANT to explain the role of accounting systems as technologies of change. At the same time these ANT studies have drawn our attention to the fact that accounting systems are not stable but are socially constructed through the activities of the actor networks.

The thesis will draw on ANT to examine how MCS technologies are constructed in the case organisation as part of the public sector reforms. ANT will for example enable us to uncover how accounting technologies were introduced as part of the public sector reforms in order to present a new reality of private sector mode of governance. ANT analysis is also useful in this thesis because of its power to explain how the diffusion or the construction of the accounting innovations in the case organisation is the result of the interaction of various humans and non-humans actors both with diverse interests. These actors need to be enrolled into the networks in order for the diffusion of the accounting innovation to be successful.

Overall, this study aims to understand reforms in NSC, and how MCS technologies are shaped and reshaped in the process. This is similar to ANT's central concern which is an understanding and theorisation of the role of technology and technological objects within society (Lowe, 2001). Thus, ANT can be beneficial in understanding the reform processes and MCS technology in NSC.

3.5.3 The Proposed Thesis Framework

This section develops the framework based on ANT that will guide the researcher in the analysis and the interpretation of the public sector reform process and the role of MCS in NSC. ANT provides a rich analytical framework for understanding the construction of network of aligned interest (Mahring *et al.*, 2004). In ANT, MCS technologies are products of the networks of human and non-human actors. In order to understand MCS, we need to study how these networks are built and how MCS are created (Wickramasinghe and Alawattage, 2007). ANT approach is employed in this study in order to bring together “human and non human, social and technical factors in the same analytical view” (Hassard *et al.*, 1999, p.388) in understanding the reform process in NSC. Figure 3.1 presents the proposed theoretical framework for the study.

Moments of Translation Intermediaries

Problematisation Reform network (human/non-human actors)

Interessement

Global actors Local actors

Enrolment

MCS/other technologies

Mobilisation

Figure 3.1: Proposed Theoretical Framework

In Figure 3.1 above, it is argued that the public sector reform could be construed as a heterogeneous network of both human and nonhuman actors. These actors can further be subdivided into global, national and local. According to Wickramasinghe and Alawattage (2007), to understand how networks are built, we may be guided by global and local dichotomy. This categorisation was also adopted by Briers and Chua (2001). Briers and Chua described global actors as those who are rich in concepts, competence and connections; they also possess boundary objects which have certain specialities and abilities. In the construction of MCS, local actors follow the global actors through intermediaries. However, if the local actors are more powerful, the influence of the global actors might be minimised (Wickramasinghe and Alawattage, 2007).

The global actors would include the World Bank, the International Monetary Fund, and consultants. The local actors would include national actors (the Nigerian government and the Nigerian general public) and the local actors (NSC top management, senior, middle and junior staff). In additional there are MCS (accounting technology such as strategic planning, budgeting, performance management, Total Quality Management, SUN accounts) and other technologies (computers, electricity, and expertise) that form the network relationship.

Though, Latour developed the concepts of ANT around science and technology, the terminology - science and technology can be broadly extended to include other systems, such as MCS (Jones and Dugdale, 2002; Wickramasinghe and Alawattage, 2007). Preston *et al.* (1992, p. 563) conceptualises MCS as a technology as:

> Technology can be an artefact (a budget document), the processes or uses of the technology (e.g. producing and making use of a budget) and the knowledge of people in designing or operating the technology (e.g. the “know how” that specifies the relationship between predicted costs and specific activities).

Conceptualising accounting as technologies, Chua (1995, p. 115) argues that:

> The making of “new” accounting numbers and the battle to secure their legitimacy may be seen as being similar in important respects to a scientific controversy. Like this controversies, the birth of an accounting may change the map of organisational reality, challenge existing work traditions, and unfold battle-like, with opposing supporters and detractors who are intent upon vanquishing each other.

The framework recognises that the creation of the network which is a dynamic process is also shaped by the process of translation. Thus, the way the public sector reform network was created and continues to evolve is as a result of the moments of problematisation, interresement, enrolment and mobilisation. This framework is drawn on later in the thesis to explain the reform process and the role of MCS in NSC.

3.6 Summary of the Chapter

This chapter has discussed ANT as a theoretical framework for this research. A theoretical framework is important for each study as it helps the researcher makes sense of the results of the study. ANT has been proposed as the main theoretical framework for this study.

ANT developed by Latour and Callon attempts to bring human and non-human, social and technical factors together in the same analytical view (Vanderbenghe, 2006). ANT therefore rejects any sundering of human and non-human, social and technical elements" (Hassard *et al.*, 1999, p. 388). It has also been argued in the chapter that ANT rejects any predetermination. The dualism between social and natural, an agent and structure, human and non-human and other forms of distinction is thus rejected by ANT. The creation of an actor-network is described by the process of translation, which can be divided into four stages - problematisation, interessement, enrolment and mobilisation (Callon, 1986). However, translation is not a secured process; it is susceptible to failure (Law, 2007) hence reiterating the dynamic nature of networks.

Analytically, the ANT framework emphasises that the researcher investigates the process through which socio-technical networks are produced (Law, 1999; Hassard *et al.*, 1999). Calas and Smircich (1999, p. 663) note that "The actor and the network are not things out there to be seen or apprehended by the researcher; rather actor-network is in itself a conceptual framework, a way of understanding social and technical processes." The emphasis is on neither technology nor society, but rather on actors and their attempts to secure their interest through formation, configuration, maintenance and strengthening alliance or network (Callon, 1986; Callon 1991).

MCS are viewed in the ANT approach as technologies. MCS scholars have examined the introduction and implementation of such technology in both private and public sectors (Preston *et al.*, 1992; Chua, 1995; Briers and Chua, 2001; Alcouffe *et al.*, 2008); this study presents the construction of MCS reality in a network of various human and non-human actors. These technologies are diffused in organisations because they translate the changing interest of diverse groups of actors that are looking to maintain their interest and position in the organisations and society (Alcouffe *et al.*, 2008). The actors apply MCS technology to produce 'inscriptions' (figures and numbers) that become fact, and manipulate them to support their interests (Alcouffe *et al.*, 2008).

Having introduced the theoretical framework informing the study, the next chapter of the thesis presents the Nigerian environment, the context of the study.

CHAPTER FOUR: THE NIGERIAN ENVIRONMENT

4.1 Introduction

The previous chapter presented the theoretical framework adopted for the thesis. This chapter provides an analysis of the Nigerian environment. Understanding the study context is necessary in order to elaborate on the important factors that instigated the developments and reforms of the public sector in Nigeria and changes in management control systems (hereafter, MCS) in the Nigeria State Company (hereafter, NSC), the case study of this thesis. In Actor Network Theory, context is considered as a constituent element of innovation rather than a source of explanation; it is inseparable from localised management action and interaction within the actor-networks, hence both have to be analysed simultaneously (Alcouffe *et al.*, 2008). The economic, political and social system play a vital role in the creation and reforms of the public sector in Nigeria, and this chapter provides an overview of these systems in Nigeria.

The chapter is divided into five sections, after the introduction. The subsequent section analyses the Nigerian social and political context. The Nigerian economy pre- and post-independence and the economic crisis that hit Nigeria and reform attempt were elaborated in the next part. Section four discusses the Nigerian public sector and its reforms, and the final section summarises the chapter.

4.2 Nigerian Social and Political Context Pre-and Post-Independence

The following section aims to discuss the Nigerian social and political environments in order to understand their influence on public sector reforms in Nigeria, and, more specifically, changes in MCS in the NSC.

4.2.1 An Overview of the Nigerian Society

Nigeria is a heterogeneous society made up of various cultures and religions. The country is located in West Africa, with a total land area 923,768 square kilometres, which is more than four times the size of Britain (Burns, 1963). Nigeria's land area is 910,768 square kilometres and water area is 13,000 square kilometres.[11] The country lies between longitudes 30 and 40 and latitudes 40 and 140, and it shares land borders to the West with the Republic of Benin, to the North with the Republic of Niger and Chad and to the East with the Republic of Cameroon and its coast line in the South with the Gulf of Guinea part of the Atlantic Ocean[12] (see appendix 4.1 for the map of Nigeria).

Nigeria has the highest population in Africa, with an estimated population of 148 million. It is ranked eighth in the lists of countries with the highest population in the world.[13] The population is made up of more than 250 ethnic groups[14], who speak about 500 different indigenous languages.[15] Among the ethnic groups, the most populous and politically influential are the Hausa-Fulani which represents 29 percent of the country's population, the Igbo with 21 percent and the Yoruba 18 percent population.[16] Other relatively smaller groups are the Ijaw, with a population of 10 percent, Kanuri with 4 percent, Ibibio with 3.5 percent, and Tiv with 2.5 percent population.[17] However, despite their ethnic diversity, the Nigerian people share a

[11] https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html#Geo
[12] http://nigeria.gov.ng/NR/exeres/05758900-C8A9-4055-87C1-9A6766C59879.htm
[13] http://www.census.gov/cgi-bin/broker
[14] https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html
[15]http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/NIGERIAEXTN/0,,menuPK:368906~pagePK:141132~piPK:141107~theSitePK:368896,00.html
[16] https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html
[17] https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html

common custom when it comes to the demand to show respect for elders, loyalty to family, village and tribe (Okike, 1994).

The official language in Nigeria is English. However, Hausa, Igbo and Yoruba are the most widely spoken languages in the country. Islam is the major religion in Nigeria, practised by about 50 percent of the population, followed by Christianity by 40 percent and indigenous belief by about 10 percent of the population.[18] According to a survey of people's religious beliefs conducted in ten countries by the BBC in 2004, Nigeria was found to be the most religious nation in the world.[19]

Nigeria has witnessed various social upheavals. In the years 1967-1970, a civil war was fought between Nigeria and a region called Biafra which broke from away from the country. Furthermore, there are religious tensions and crises between the Muslims and the Christians (see Mu'azzam and Ibrahim, 2000). There are also issues on communal crises, such as Niger Delta, Ogoni land and others. Since this case study is about the NSC, the issue of the Niger Delta crisis is touched upon.

The Niger Delta is a region in Nigeria endowed with crude oil and gas reserve. Majority of Nigeria's crude oil is explored and produced in this region. However, despite the massive oil deposits and contribution to the Nigerian economy, the region has not been developed. The communities in the region blame the government and the multinational oil companies operating in the region for their underdevelopment and demands for a higher share of revenue generated from their region. These communities organise violent protest and disrupt Nigeria's oil production; in some

[18] https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html
[19] http://news.bbc.co.uk/1/hi/programmes/wtwtgod/3490490.stm

cases their disruption affects the international oil price. The communities are also engaged in the taking over of oil platforms, installation and equipment, kidnapping (especially of foreign oil workers), confrontation with the state security forces and militarisation of the region (Ikelegbe, 2001). The Nigerian government recently offered an amnesty to the militants in the region, and negotiation is on-going at the time of writing this thesis.

Another social problem affecting Nigeria is corruption (see for instance, Bakri, 2008). The Transparency International Corruption Perception Index ranked Nigeria as number 121 among 180[20] countries and number 22 out of 47 sub-Sahara countries in 2008.[21]

In the next section, the Nigerian political system is examined.

4.2.2 An Overview of the Nigerian Political Entity

In order to understand fully the current Nigerian political environment, the origin of what we now know as Nigeria needs to be traced. The origin of present day Nigeria can be traced back to different States and Kingdoms that existed before colonial intrusion (Omolewa, 1986; Olowo-Okere, 1999). The origins of some of these states and kingdoms[22] date back to 1000 AD, have different history, culture, tribes, politics, religion, government and institutions, and are at various levels of economic and social development (Omolewa, 1986; Falola *et al.*, 1989, 1991).

[20] http://chapterzone.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table
ww.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table
[21].http://chapterzone.transparency.org/policy_research/surveys_indices/cpi/2008/regional_highlights_factsheets
[22] For history of the various States and Kingdoms see (Falola et al., 1989; 1991; Omolewa, 1986).

Subsequent to the treaty of Berlin in 1885[23], the territory of what is now known as Nigeria was allocated to Britain (Onuh, 1983; Omolewa, 1986). By 1899, the British authorities had acquired control of the territory by entering into treaties with the colonies chiefs and kings and in some cases using superior military forces and political manoeuvre (Albert, 1998; Kukah, 1999). By 1900, the British authorities had acquired political control over the States and Kingdoms of the territory (Babatope, 1977). The British authorities administered the territory as three separate but related colonies, namely the Protectorate of the Northern Nigeria, the Protectorate of the Southern Nigeria and the Lagos Colony.

The Lagos colony and the protectorate of the Southern Nigeria were amalgamated in 1906 and became the colony and protectorate of Southern Nigeria (Tamuno, 1998). Nigeria come into being in 1914 when the British authorities amalgamated the Colony and Protectorate of Southern Nigeria with the Protectorate of Northern Nigeria (Omolewa, 1986; Tamuno, 1998; FCO, 2008). Several scholars have argued that the amalgamation was done not with the intention to unify the territory but for colonial authority administrative purposes (Omolewa, 1986; Olaitan, 1995; Osadolor, 1998; Tamuno, 1998; Irukwo, 2005). Olaitan (1995; p. 127) described the Nigerian entity as: "…a state lacking in natural legitimating ideals because it was not desired by the people internally, since it was an external imposition." This imposition brings together heterogeneous societies that are quite different from each other and lack common goals.

[23] There was a dispute between the European countries regarding ownership of territories in Africa, to resolve the dispute they held a conference in Berlin in 1885. The conference resulted in Africa's territories being partitioned between the countries.

Colonial authority imposition continued even during the search for independence. The aspiration for Nigeria's independence from British authorities began after the First World War (Omolewa, 1986). However, nothing was achieved until 1947, after the Second World War, when a new constitution was introduced by Governor Richardson; this constitution established three regions in Nigeria, namely the North, East and West which in effect represent the major ethnic groups (Albert, 1998; Irukwo, 2005). The colonial authority claims that one of the objectives of the constitution was to unify Nigeria; however, scholars blame the constitution for the regionalism and tribalism found in Nigeria's political affairs (Ezera, 1960; Wright, 1986; Albert, 1998; Irukwo, 2005). Wright (1986) noted that by the 1950s the colonial authorities had succeeded in dividing the major ethnic groups, and that was reinforced by providing each region with a separate government representative system. It can be argued that, up to the present day, the loyalty of most Nigerians lay with their region first, followed by the nation. A second constitution was introduced in 1954 in which fully-fledged regional governments were created, and federal elections were held in 1959 (FCO, 2008) (see Ezera, 1960) for a detailed analysis of the Nigerian pre-independence constitution).

Nigeria gained its independence from Britain on 1 October 1960. The independent Nigeria inherited a Westminster system type of democracy and many other rules and regulations left by the colonial authorities (Okike, 1994). The Westminster system inherited was described by Lewis (2006, p 89) thus: it "…suffered from institutional design that encouraged ethnic segmentation and invidious regional competition for power." The governing structure consisted of a governor-general as the head of government and representing the Queen of England and a Prime Minister as the effective head of government; there were also regional governors responsible for the regional governments and the regional premiers who were effective leaders of the state government (Ojo, 1998). Nigeria became a republic in 1963.

On 15 January 1966, the first republic comes to an end following a bloody military coup that resulted in the assassination of some top government officials. The Prime Minister, Federal Minister, Northern and Western region Premiers and top northern army officers were assassinated, among others (Graf, 1988). This coup marked an era of military rule in Nigeria; the country was ruled by a military government for about twenty-nine years of its forty-nine years of independence, with the military justifying their takeover of power as a means of correcting the political system and restoring social and economic stability (see Collins *et al.*, 1975; Okoye, 1991; Olukoshi and Abdulraheem, 1985).

The first coup suffered a setback as it was a successful only in the northern region. The coup recorded limited success in the other regions. However, the acting President[24] at that time, in a public announcement, voluntarily handed over power to the military. Major-General Johnson Aguiyi-Ironsi became the first Head of the National Military Government on 16 January 1966.

Growing apprehension about the coup developed among Hausa-Fulani and Yoruba. The coup was viewed as a tribal conspiracy, as most of the high profile people killed were northerners (Kissa, 2008). Furthermore, the failure of Aguiyi-Ironsi to prosecute

[24] The president was at the time out of the country.

the coup plotters[25] and include any none Igbo in his cycle, together with the promulgation of a unitary decree which abolished the Nigeria federal structure to a unitary structure compounded this concern (Graf, 1988). These problems lead to the overthrow of the Ironsi government six months after it was formed. Lieutenant-Colonel Yakubu Gowon became the new Head of State and the Supreme Commander of the Armed forces. The Nigerian political crises continued, and on 30 May 1967 the eastern region declared itself an independent Republic of Biafra; this lead to a civil war which lasted for more than two years, from July 1967 to January 1970, when the Biafran army surrendered to the Nigerian army. It is estimated that more than a million people lost their lives during the war (Lewis, 2006).

On July 29 1975, the Gowon administration was overthrown; the administration was accused of indecision and corruption. Brigadier Murtala Ramat Mohammed became the new head of state. The Mohammed administration established a unitary state. Mohammed was assassinated on 13 February 1976 in a failed coup, and General Olusegun Obasanjo became the next Head of State and. Obasanjo remained in power for more than three years. A new constitution for the second republic was drafted and the Westminster system of government was changed to the United States of America presidential system. On 1 October 1979, Obasanjo handed over power to the elected President Alhaji Shehu Shagari. Severe economic crises hit Nigeria during Shagari's administration; these crises are discussed in the next section.

The government of Shagari was overthrown on 31 December 1983, and General Mohammadu Buhari became the Head of State. The economic crisis continued; the Buhari government was overthrown and on 27 August 1985 General Ibrahim

[25] The coup plotters were mainly Igbos

Babangida became the next Head of State. Babangida is seen by many Nigerians as the main advocator of the International Monetary Funds (hereafter, IMF) and the World Bank Structural Adjustment Policies (hereafter, SAP). SAP adoption is examined in the next section. Apart from the economic crisis, the Babangida administration also faced political crises when he annulled the 12 June 1993 election (third republic), forcing him to step down on 27 August 1993; he installed an interim national government. The interim government was headed by Chief Ernest Shonekan.

The interim government was replaced by General Abacha on 17 November 1993. Abacha remained in power for about five years until his sudden death on 8 November 1998; consequent to his death, the Nigerian top military declared General Abdulsalami Abubakar as the next head of state on 9 November 1998. Abubakar handed over power to the elected government of Retired General Obasanjo on 29 May 1999. Obasanjo served two terms in office,[26] and on 29 May 2007 handed over power to Alhaji Umaru Musa Yar'adua. Yar'adua is the present president of Nigeria. Table 4.1 presents a summary of the different government that ruled Nigeria from independence to date.

[26] Obasanjo was elected again at the expiry of his first term.

Table 4.1: Summary of the different governments that ruled Nigeria from independence to date

s/n	Period	Type of government/Head of State	Reason for cessation
1.	1960-1963	Civilian/Governor General Mr. Nnamdi Azikwe	Change to a republic
		Prime Minister Alhaji Abubakar Tafawa Balewa	
	1963-1966	Civilian/First Republic Ceremonial President Mr. Nnamdi Azikwe	Unsuccessful bloody coup which forced the civilians to hand over power to the military
		Prime minister Alhaji Abubakar Tafawa Balewa	
2.	Jan 1966-Jul 1966	Military/Major General Aguiyi Ironsi	Killed in a successful coup
3.	1966-1975	Military/General Yakubu Gowon	Coup
4.	1975-1976	Military/General Murtala Mohammed	Assassinated in an abortive coup
5.	1976-1979	Military/General Olusegun Obasanjo	Handed over power to a democratic elected government.
6.	1979-1983	Civilian/ Second republic/ Alhaji Shehu Shagari	Overthrown by military.
7.	1983-1985	Military/Major General Mohammed Buhari	Coup
8.	1985-1993	Military/ aborted third republic/ General Ibrahim Babangida	Step down
9.	Aug 1993-Nov 1993	Interim government/Chief Ernest Shonekan	Resignation
10.	1993-1998	Military/General Sani Abacha	Death in office
11.	1998-1999	Military/General Abdulsalami Abubakar	Hand over power to democratic elected government.
12.	1999-2007	Civilian/Rtd General Olusegun Obasanjo	Democratic transition
13.	2007-date	Civilian/ Fourth Republic/ Alhaji Umaru Musa Yar'adua	In power

The above table presents the various governments that have governed Nigeria from independence to the present day. Each of the administrations had a different style of governance and operated under different economic and political issues. Scholars such as Lewis (1994) argued that the predicament of the Nigeria's economy is essentially political in nature. We will come back to the various administrations when illustrating the nature of the Nigerian economy and reforms in the subsequent section and chapters six and eight of the thesis when presenting reforms in the NSC and the analysis and discussion of the thesis.

4.3 An overview of the Nigeria's Economy

In order to understand the factors that led to the Nigerian economic reforms in general and public sector reforms in particular (the concern of this study), the history of the Nigerian economy prior to independence to date is examined. At present, Nigeria is the second largest economy in sub-Saharan Africa.[27] Nigeria is an oil producing country. It produces about 2.1 million barrel of crude oil per day and has a proven oil reserve of 37.20 billion barrels. Nigeria's natural gas reserve stands at 5.249 billion cu. m.[28]

The Nigerian economy has experienced various transformations. For the purpose of this analysis, the Nigerian economic development is divided into four periods, taking in the major happenings in the country, namely the pre-independence and early independence period (1914-1970), the oil boom period to crisis (1971-1980), the economic reforms period (1981-1993) and the post reform period and the debt relief period to the present day (1994-present day).

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[27]http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/NIGERIAEXTN/0,,menuPK:368906~pagePK:141132~piPK:141107~theSitePK:368896,00.html
[28] http://www.opec.org/aboutus/Member%20Countries/Nigeria.htm

4.3.1 The Nigerian Economy Prior and Early Independence (1914-1970)

During the period 1914 to 1970, the Nigerian economy changed from being a poor agrarian economy to a cash crop economy and to an oil economy. Prior to colonialism, most of the people in the Nigerian territory were engaged in peasant farming, with surplus accumulating to the ruling class and a smaller scale to merchant capital (Freund, 1978; Olowo-Okere, 1999). Farming was transformed by the colonial authorities from subsistence to cash crops (Wright, 1986). The Nigerian economy grew moderately during the early independence period (Lewis, 2006): the per capita rose from \$110 in 1962 to \$780 in 1980.[29] At the time of independence, Nigeria was an agricultural economy, deriving its revenues from cash crops (Iyoha, 2004; Helleiner, 1966, Onuh, 1983). However, in the 1970s, oil became the main source of revenue (see table 4.2 below). Oil was discovered in commercial quantities in 1956[30] by Shell-BP in Oloibiri in the Niger Delta area, and production began in 1957 (Uche, 1992; Ihonvbere, 1998; Bezanis *et al.*, 2000). The success of Shell, together with Nigeria's independence from Britain, attracted the interest of other international oil companies which between 1960-1965 acquired oil prospecting and mining concessions (Frynas *et al.*, 2000). The Nigerian dependence on oil leads to changes in the economy whenever the global oil market alters (Obi, 1997; Lewis, 2006).

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[29] World Development Indicators; see, http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20535285~menuPK:1192694~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html

[30] Oil prospecting was begun in 1908 by a German company, the Nigerian Bitumen Company, which obtained a licence to search for oil in Okitipupa area, now part of Ondo State (Uche, 1992). The company explored the entire coast of the region for Bitumen; however, the operation of the company ceased after the First World War (Uche, 1992; Ihonvbere, 1998). In 1937, Shell D'Arcy began exploration; the colonial authorities granted Shell D'Arcy an exclusive licence to explore the entire Nigerian territory. Shell D'Arcy operated under the Mineral Ordinance no 17 of 1914 and its amendments (Uche, 1992; Frynas *et al.*, 2000), but the company effort was halted by the Second World War. The Shell D'Arcy resumed prospecting in 1946 under the name of Shell-BP Petroleum Company of Nigeria Limited, a company of equal partnership between the Royal Dutch Shell Group of Companies and the British Petroleum Group (Onuh, 1983; Ihonvbere, 1998; Bezanis *et al.*, 2000).

Table 4.2: Presents a summary of Nigerian oil revenue in Naira (ngn)[31]

Year	Revenue received from Oil in Naira
1958/59	0.2
1959/60	3.4
1960/61	2.4
1961/62	17.0
1962/63	17.0
1963/64	10.0
1964/65	16.0
1965/66	29.2
1966/67	45.0
1967/68	41.8
1968/69	29.6
1969/70	75.4
1970	176.4
1971	603.0
1972	735.0
1973	1,368.6
1974	4,104.0
1975	4,568.0
1976	4,834.0
1977	6,299.2
1978	5,183.7
1979	10,433.1
1980	13,123.4

Source: Ihonvbere (1998, p. 14)

The above table shows that the Nigerian oil revenue has increased significantly, especially during the early 1970s. This increase in the oil revenue led to expansion in other sectors of the economy. It promoted a centralised state-dominated economy in which allocation of oil revenue became the main source of growth (Lewis, 1999). This will be discussed in the next section.

[31] Naira is the Nigerian currency and in the 1970s was exchanging almost at par to the US dollar. The exchange rate today stands at around ngn146 to a dollar.

4.3.2 Oil Boom Period (1971-1980)

Throughout the world, the 1970s witnessed increases in oil prices. Nigeria being a producer country benefited tremendously with the increases in the prices (Olukoshi, 1993a). The Nigerian oil revenue increased massively during those years, as presented in table 5.2 above. The Nigerian reserve in 1974 was so high that it was sufficient to cover the country's twenty-four months of imports (Freund, 1978). As the revenue from oil increased, Nigeria became more dependent on it, and this subsequently affected other sectors of the economy: social class, state and society (Ihonvbere, 1998; Olaitan, 1995). For instance, the Nigerian government was engaging in various expansions projects, such as the rapid expansion in manufacturing activities through massive investment and protectionism measures, state-led industrialisation, increased external borrowing, increase in civil service salaries, increase in public spending on infrastructure development and social programmes (Lewis, 2006; Olukoshi, 1995, Abulraheem *et al*, 1986; Adedipe, 2004; Bangura and Beckman, 1993).

Farmers abandoned their farms and relocated to the urban areas for higher paid jobs offered by construction and commerce; this led to the neglect of cash crop farming, and it subsequently collapsed (Adedipe, 2004; Olaitan, 1995; Iyoha, 2004). The Nigerian economy became dependent on food imports, capital, raw materials, and intermediary goods (Freund, 1978; Olukoshi, 1993). Freund (1978, p. 94) noted the following:

> The most dramatic feature of the oil boom was the growth in imports on such a scale as to transform the population of Nigeria into what appeared to be a huge host of cargo cult worshippers. By the spring of 1978, Lagos port was doing 97% of its business in imports and only 3% in exports while airports actually received even more goods than the seaports.

Apart from the increase in consumption of imported goods, oil revenue became a significant factor in the Nigerian development plan.[32] The third and fourth development plans were ambiguous and drawn significantly against oil revenue (Onuh, 1983; Uche, 1992; Obadan and Edo, 2004). The fluctuations of oil prices led to the government sourcing funds from external sources at higher charges and interest rates to fund the plan (Onuh, 1983; Umoren, 2001), thus leading to accumulation in external debt stock. Uche (1992) reported a positive correlation between the Nigeria's annual budget and expected revenue from oil: from a budget of ngn1.41 billion in 1973 to ngn38.5 billion in 1991.

Nigerian oil revenue was not managed properly; the governments at that time spent money carelessly and miss-apportion funds (Forrest, 1995). Scholars argued that the Nigerian economy was not ready for such massive capital influx, and the people managing the revenue lacked the ability and experience to plan, in an orderly and judicious way, the use of such revenue (Nwabazor, 2005; Onuh, 1983; Adedipe, 2004). It was reported that Nigerian president Gowon was quoted saying that "money was not Nigeria's problem in 1971 but how to spend it" (Nwabuzor, 2005, p. 124). Gowon was reported to have paid off the entire annual civil service salary cost of a Caribbean country he was visiting (Aluko, 2004). Furthermore, scholars such as Nwabuzor (2005), Lewis (1996), Freund (1978) and Forrest (1986) identified the massive oil revenue as a factor responsible for the growth of corruption in Nigeria.

[32] In its search for development, Nigeria embarked on a development plan. The first plan was drawn in 1962 and was intended to last until 1968, with trust to industrialise the economy through import substitution (Adedipe, 2004). However, this plan was not achieved, and a second development plan was instigated after the civil war (Obadan and Edo, 2004).

4.3.3 The Economic Crisis Period and Reforms (1981-1993)

The international oil price fell in 1980s following the world oil market glut leading to a plunge in Nigerian oil export income (Bangura and Beckman, 1993; Olukoshi, 1993). The Nigerian government oil revenue fell from $25billion in 1980 to $5 billion in 1981 (Irukwo, 2005). The decline in the revenue affected the Nigerian government's financial obligations; commitments such as salaries were frozen or not paid on time, while some states were unable to pay their salaries thus leading to some civil servants refusing to go to work and in some cases social services breakdown (Ihonvbere, 1998; Irukwu, 2005).

Furthermore, as noted in the above section, Nigeria had embarked on massive expenditure and change in general consumption habits following the increase in oil earning. This, together with the import substitution industrialisation policy[33] introduced by the colonial authorities, which was further promoted by the independent government, accelerated the crisis (Olukoshi, 1993, 1993a). The industries stagnated as a result of the government not being able to meet foreign exchange demands, leading to a rise in unemployment and shortage of consumer goods, which was also compounded by the lack of government importation of goods; the real incomes of workers and peasants were undermined as the prices of basic commodities escalated, inflation soared and the average Nigerian living standard fell; social services were withdrawn and development of the infrastructure was abandoned (Olukoshi and Abdulraheem, 1985; Fadahunsi, 1993; Olukoshi, 1993a; Irukwu, 2005).

[33] This was a policy whereby initially agricultural surpluses were used to finance the imported inputs needed for the growth and expansion of manufacturing activities; this policy was adopted further by the independent government to promote growth and diversify the economy; and when oil revenue become the major source of revenue, the foreign exchange earned from it became the major source of financing the importation of inputs needed by the manufacturing sector. Thus the manufacturing sector sustainability depended on the government earning sufficient foreign exchange (Olukoshi, 1993a; Egbon, 2004).

Furthermore, the external borrowing during the oil boom became due, and was aggravated further by short-term burrowing to meet current commitments (Lewis, 1996). The reserve was depleted in 1982, and the external debt rose from ngn 3.3 billion in 1978 to ngn 14.7 billion in 1982 (Forrest, 1986). Nigeria found itself in a serious internal and external economic crisis in 1982, with high inflation, increased fiscal deficits, soaring unemployment, continual current account and balance of payment deficits, increasing external debt and payment arrears burden (Lewis, 1994; 1996; Iyoha, 2004).

4.3.3.1 The Earlier Attempt at Economic Reform

In 1982, the Shagari administration introduced the Economic Stabilisation Act, with the aim of reducing public spending and restraining imports (Forrest, 1986; Yahaya, 1993; Olukoshi, 1995; Iyoha, 2004). However, the measure did not restore normalcy in the economy (Obadan and Edo, 2004). Despite widespread opposition from socio-political groups, the Shagari administration invited the IMF to study the economy and suggest solutions (Callaghy, 1990; Olukoshi, 1995). According to the IMF, the crisis was caused by the structural distortion as a result of overvalued exchange rates, massive public sector spending, overextension of unproductive and inefficient public enterprises, poor investment management, low productivity of workers and high wage structure, among other problems (Adesina, 1991, Olukoshi, 1995). The government also applied to the IMF for an Extended Fund Facility (EFF) loan of between ngn1.9 and ngn2.4 billion (Bangura, 1987; Yahaya, 1993). A structural loan application of between $300 and $500 was also sent to the World Bank (Olukoshi, 1995). The IMF insisted that the Nigeria adopt a Structural Adjustment Programme (hereafter, SAP) before the loan could be granted (Olukoshi and Abdulraheem, 1985; Yahaya, 1993).

The main measures of the SAP were currency devaluation and exchange deregulation, trade liberalisation, deregulation of financial sector, lifting price control on goods and services, commercialisation and privatisation of public enterprises, cut in public expenditure and appropriate pricing policy (Jega, 2000; Umoren, 2001; Obadan and Edo, 2004; Iyoha, 2004). Given that this research is concerned with public sector reforms, the aspects of commercialisation and privatisation are discussed in more detail in the next section.

The Shagari administration was reluctant to accept the IMF conditions, especially currency devaluation, liberalisation and removal of petroleum subsidy, thus leading to a state of deadlock with the IMF (Callaghy, 1990; Olukoshi, 1995). The administration was overthrown by a military coup in December, 1983. Buhari became the next head of state, and his administration continued negotiations with the IMF and implemented some of the IMF policies. However, the administration was not able to resolve the dispute with the IMF; it too rejected some of the IMF conditions, thus leading to another stalemate with the IMF and the external creditors, as they insisted on Nigeria reaching agreement with IMF before conducting any further negotiations (Callaghy; 1990; Yahaya, 1993). Nigeria's credit lines were also withdrawn and the financial boycott that started during the Shagari's administration intensified, thus leading to more shortages in supply in consumable goods, inputs for industries, massive cuts in public expenditure and retrenchments of workers (Yahaya, 1993; Bangura and Beckman, 1993). The Buhari regime was not able in a secure deal with the IMF; the administration was overthrown in August, 1985 and General Babangida became the new Head of State.

4.3.3.2 Structural Adjustment Programme Adoption

SAP was adopted during the Babangida administration. The Babangida administration opened a public debate on the acceptance of IMF loan and its conditions, and the majority of Nigerians opted for the loan not to be taken (Abdulraheem *et al.*, 1986; Bangura and Beckman, 1993; Jega, 1993; Yahaya, 1993; Olukoshi, 1993a). At the time of the debate, the Babangida government continued a discreet negotiation with the World Bank on an adjustment package for the country, and declared a 15-month period of national economic emergency, beginning from 1 October 1985 (Olukoshi and Abdulraheem, 1985). SAP was adopted in 1986 without drawing from the IMF loan, and was presented to the Nigerians as a home developed package, uniquely designed for Nigeria (Callaghy, 1990; Zayyad, 1990; Olukoshi, 1993; Olukoshi, 1995; Jega, 2000a).

The claim that Nigerian SAP was developed by Nigerians was disputed by many scholars; this group of scholars argued that the Nigerian SAP was the same as any other SAP sanction to other developing countries by the IMF and World Bank, and was drafted in consultation with World Bank staff (Yahaya, 1993; Olukoshi, 1995; Adeyemo and Salami, 2008; Umoren, 2001). The adoption of SAP led to an agreement with the IMF in 1987, paving the way for negotiations with the external creditors and debt rescheduling (Callaghy, 1990).

Nigerian SAP recorded limited success (Lewis, 1999; Obadan and Edo, 2004; Jega, 2000). At the beginning of its implementation, a modest stabilisation was recorded (Lewis, 1999). The SAP, together with the rise of oil prices during the Gulf War, led to economic growth of an average of 6.6 percent between 1988 to 1992 (Lewis, 2006), but that was short lived.

Overall, scholars such as Obadan and Edo (2004), Umoren (2001), Jega (2000) and Irukwo (2005) reported that the remedy expected from SAP did not materialise, as market orientation was not achieved; this caused the naira to continue to depreciate, and increases in the interest rate; inflation and unemployment rose; fiscal deficit increased and so did the external debt. The economic growth remained low and the general decline in living standard of an average Nigerian continued. SAP did not succeed in revitalising other sectors of the economy (Lewis, 1994) (see appendix 4.2 for Nigerian economic indicators).

Some scholars argued that the SAP policy complicated the Nigerian economic problems (Olukoshi, 1993a; 1993; Jega, 1993, 2000a; Fadahunsi, 1993; Mustapha, 1993). Scholars such as Adesina (1991), Obi (1991) and Bangura and Beckman (1993) argued that the policy resulted in deindustrialisation. Umoren (2001) argued further that SAP resulted in a dark secrecy in policy, processes and resources management, and aided corruption instead of creating transparency, to the extent that even the World Bank called for its review.

SAP was supposed to provide short-term measures that would last for two years (from June 1986 to June 1988). However, SAP lasted for more than seven years and was abandoned in 1994 (Umoren, 2001; Bello-Imam and Obadan, 2004; Obadan and Edo, 2004).

4.3.4 The Post Crisis Period and the Debt Relief Period to Present (1994-date)

The Nigerian economy from 1992 stagnated for a decade (Lewis, 2006). For instance, during the Abacha regime (1994-1998) little was done about economic reforms. However, external debt continued to be a problem on the Nigerian economy. Annual debt service accounted for $3.7 billion, and the Nigerian government paid between $1.5 and $2 billion per annum, with the rest being rescheduled (Soludu, 2003).

As discussed in the previous section, Obasanjo was elected as democratic president in 1999. The Obasanjo administration vigorously sought debt cancellations.[34] However, the World Bank and IMF insisted on progress on reforms before offering any debt relief. The administration made a reform arrangement with the IMF. However, the reforms were abandoned as the government missed some key targets (Lewis, 2006). Following the re-election of Obasanjo in 2003, an economic reform team was set up, headed by finance minister, Dr, Nkonjo-Iweala, who prior to her appointment was an employee of the World Bank; she had risen to the position of vice president of the bank. According to the minister, the reform aim was poverty reduction and wealth creation through relying on the private sector to grow the economy and provide jobs; the public sector would provide an enabling environment, with the sub aims of the reforms to redefine the role and size of the government in the economy, reduce corruption and improve transparency and accountability, create infrastructure, improve basic services and seek debt reduction; pubic sector reform was one of the key features of the reforms (NSC Transformation documents; EIU, April 2005). These reforms opened ways for debt relief negotiations.

[34] See http://allafrica.com/stories/200105170545.html and http://news.bbc.co.uk/1/hi/business/1345508.stm

In the year 2000, the increase in oil prices and the policy of pegging the Nigerian budget projection on oil price lower than the market price enabled the Nigerian government tremendously to build its external reserves (Okonjo-Iweala, 2006). In 2005, Nigeria reached a debt relief agreement with Paris Club debtors, which should have eliminated about $18 billion worth of Nigeria's total debt.[35] By 2007, Nigeria settled it debt with the Paris and London Club creditors.[36] At the time of writing this thesis, not much is progressing in economic reforms.

4.4 The Nigerian Public Sector

4.4.1 Role/overview

In developing countries, public enterprises account for a significant share of national output and investments (Adhikari and Kirkpatrick, 1990). This is the case in Nigeria. The development of Nigerian public enterprises began during the time of colonial rule (Ugorji, 1995). During the period, the responsibility for providing infrastructure such as railways, road, water, bridges, port facilities and electricity lay on the colonial authorities (Iheme, 1997). After Nigeria gained its independence from the colonialists, public enterprises were developed further to drive socio-economic development and guard the economy from foreign domination and exploitation (Umoren, 2001; Adeyemo and Salami, 2008; Adhikari and Kirkpatrick, 1990). As presented in section 4.3.2, the Nigerian government developed more public enterprises during the oil boom era. Furthermore, the indigenisation[37] policies of 1972 and 1977 strengthened the growth and the role of public enterprises in the Nigerian economy (Ugorji, 1995).

[35] http://news.bbc.co.uk/1/hi/business/4637395.stm
[36] Newswatch Tuesday, 26 May 2009
[37] Indigenisation policies put limits on foreign ownership in many sectors of the Nigerian economy.

In 1988, the total number of public enterprises in Nigeria was put as one thousand five hundred (1500), with about six hundred (600) operating at federal level and about nine hundred (900) smaller ones operating at state and local government level (TCPC, 1993; Anya, 2000). The government makes about 5,000 appointments to these enterprise boards and management, thus serving as an influential source of political patronage (Anya, 2000). Anya (2000, p. 1) described the Nigerian public sector as follows:

> These companies take a sizeable portion of the Federal Budget…Transfers to these enterprises ran into billions of naira. These transfers were in the form of subsidised foreign exchange, import duty waivers, tax exemptions and/or write-off of arrears, unremitted revenues, loans and guarantees and grants/subventions. These companies were also infested with many problems which became an avoidable drag on the economy such as - abuse of monopoly power, defective capital structure, heavy dependence on treasury funding, rigid bureaucratic structures and bottlenecks, mismanagement, corruption and nepotism.

It was estimated by Nweke (2007)[38] that the successive Nigerian administrations have invested about ngn13 trillion in these enterprises in the period from1978 to 1998. The combined employment of these enterprises was placed at 500, 000 and when compared with the estimated population of Nigeria (about 148 million), the percentage of public sector employment stood at only 0.004 percent.

4.4.2 Public Sector Reforms

Various attempts were made to reform the public enterprises in Nigeria. The most significant reforms were carried out during the oil crisis in the 1980s. In 1981, a presidential commission on public sector enterprises was appointed by the Shagari administration to study the operations of all public enterprises, with the aim of determining a new funding system, capital structures and incentive measures that

[38] Nweke was Nigeria's Minister of Communication and Information at that time.

would enhance productivity and efficiency (Yahaya, 1993). The commission submitted its reports, which revealed that the enterprises were facing bureaucratic problems, had misuse their monopoly powers, had defective capital structures, together with problems of corruption, nepotism and mismanagement; there was also the problem of low returns, low profits, lack of cost effectiveness and attention to financial records (TCPC, 1993; The Presidential Commission on Parastatals, 1981). The commission recommended an increase in the role of the private sector in the public enterprises (The Presidential Commission on Parastatals, 1981). However, the recommendation of the commission was not implemented (TCPC, 1993). In 1984, the Buhari administration ordered a similar exercise and the study group confirmed the earlier finding; however, the recommendations were not fully implemented before the administration was overthrown (TCPC, 1993; The Commission Report, 1984).

As analysed in the above section, SAP was adopted in 1986 with privatisation and commercialisation among its important components. Privatisation and commercialisation commenced in 1988 when the privatisation and commercialisation decree no 25 was promulgated (Anya, 2000, Asaolu, *et al.*, 2005). The aims of the decree were as follows:

- To restructure and rationalise the public sector in order to lessen the dominance of unproductive investments in that sector;
- To re-orientate the enterprise for privatisation and commercialisation towards a new horizon of performance improvement, viability and overall efficiency;
- To ensure positive returns in public sector investment in commercialisation enterprises;
- To check the present absolute reliance of commercially oriented parastatals on the treasury for funding, and to encourage their approach to the Nigerian capital market;
- To initiate the process of gradual cession to the private sector of such public enterprises; those by the nature of their operations and other social-economic factors are best performed by the private sector;

- To create a favourable investment climate for both local and foreign investors;
- To reduce the level of internal and external debts via the use of the debt conversion programme in the privatisation of certain enterprises;
- To provide institutional arrangements and operational guidelines that would ensure that the gains of privatisation and commercialisation are sustained in the future (Decree No. 25 of 1988).

The decree established the Technical Committee on Privatisation and Commercialisation (hereafter, TCPC) as the implementation agency with powers to supervise and monitor the programme (Commercialisation Decree no 25).

Privatisation and commercialisation were defined by TCPC (1993, p, 13 as follows: "privatisation is the transfer of government owned shareholding in designated enterprises to private shareholders, comprising individuals and corporate bodies" and commercialisation as "the re-organisation of enterprises wholly or partially owned by the government, in which such commercialised enterprises shall operate as a profit-making ventures and without subvention from the government."

The NSC - the case study for this research - was categorised for commercialisation. The TCPC finished the first phase of privatisation and commercialisation in 1993. Eighty-eight enterprises were privatised and twenty-five were commercialised (TCPC; 1993). The NSC - the case study for this thesis - was not commercialised.

The federal government promulgated the Bureau of Public Enterprise (hereafter, BPE) act in 1993 and TCPC was transformed to BPE and was charged to monitor the enterprises privatised and plan for future privatisation. However, from 1994 to 1997, little was achieved in public sector reforms. The Abacha administration which ruled during that period considered contract leasing of public enterprises, but that was not achieved. Odosola (2004) attributed the failure of public sector reforms during this period to the government's lack of commitment to public enterprises reforms, prolonged political crises, and the lack of the technical and managerial skills needed for rejuvenating the public enterprises.

Public sector reforms were revived during the regime of General Abdulsalami Abubakar in 1998, with a promulgation of public enterprises privatisation and commercialisations decree no 28. The election of Obasanjo as a civil president in the same year saw the strengthening of public sector reforms; the military decree was adopted and the National Council on Privatisation (hereafter, NCP) was established as the policy body responsible for setting guidelines and policies for the privatisation and commercialisation programmes. The Bureau of Public Enterprise was established as its secretariat, responsible for implementing the NCP guidelines and policies. Some NSC's subsidiaries were among the enterprises categorised for privatisation during this period. In a rushed deal sealed within few hours before Obasanjo handed power to the newly elected president, some subsidiaries were sold to consortiums. These sales were later reversed by the new president.

4.5 Summary of the Chapter

This chapter presents an analysis of the Nigerian environment. The chapter began by analysing the Nigerian society and the formation of Nigeria as a political entity by colonial authorities. Nigeria is the most populous country in Africa. The country is made of different people from different states and kingdoms that were brought together by the colonial authorities. Nigeria secured her independence from the colonial authorities in 1960, and since then has been ruled by various civilian and military governments, each having its own style and facing different political and economic crisis.

The Nigerian economy has transformed from peasant farming through to cash crop farming and to an oil economy. The analysis reveals that the discovery of oil in commercial quantities and the rise of oil prices in the 1970s led to Nigeria engaging in various economic development projects, including expansion in public sector organisations. The fall of oil prices resulted in a massive financial crisis in Nigeria and that led to the introduction of SAP, with public sector reforms as one of its measures.

The chapter also analysed the origin of the Nigerian public sector and the various reforms that have taken place. An initial attempt was made in 1981 to reform the Nigerian public sector; however, comprehensive reforms were made in 1988 following the adoption of SAP. Public sector reforms are still ongoing in Nigeria.

CHAPTER FIVE: RESEARCH METHODOLOGY AND METHODS

5.1 Introduction

This chapter presents the research methodology adopted in the study. The methodology details how the research questions will be addressed and how the study's aims and objectives will be achieved. In addition to detailing the methodology which is the process of conducting the research, the chapter also discusses the research methods which are the techniques used to collect and analyse data (Silverman, 1993; Ryan *et al.,* 2002; Moll *et al.,* 2006). It is essential to stress at this point that the choice of research methodology is influenced significantly by the philosophical assumption underpinning the study while the choice of methods depends largely on the methodology followed (Chua, 1986).

It can thus be argued that management science researchers should consider their values and beliefs regarding the nature of society and the social science prior to embarking on any research (Hopper and Powell, 1985). This chapter presents first, the beliefs and the philosophical assumptions underlying the thesis and second, the research strategy adopted in order to accomplish the research aim. The aim of the research was identified in chapter one as the need to explore public sector reforms in Nigeria and these reforms impact on the Management Control Systems (hereafter, MCS) of the case study organisation.

The chapter is organised into seven sections. Following the introduction, the methodology section is presented detailing the philosophical assumptions underpinning the thesis and the study methodology. The next section presents the case study strategy as the research method adopted in the study. The subsequent section details the process of gathering the empirical evidence for the study. This section discusses the preparations for the case study, how access to the organisation was negotiated and how the actual data was collected. The section after this details how the data collected is analysed followed by section which attempts to link the research approach to the theoretical framework adopted for the study. The final part presents the chapter summary.

5.2 The Thesis Methodology

Methodology refers to the process of conducting research (Hussey and Hussey, 1997; Ryan *et al.*, 2002). In the literature two distinct methodological strategies have been identified as qualitative and quantitative approaches (Bryman, 1988; Bryman and Bell, 2003). The quantitative approach is objective in nature, entails deductive approach to theory and incorporates models from natural scientific practices and norms (collects and analyses numerical data and applies statistical tests); while the qualitative approach emphasises an inductive approach to theory, rejects the practices and norms of natural scientific models in preference to individual reflection on interpretation of their social world and views social reality as a constantly changing emergent property of individuals' creation (Hussey and Hussey, 1997; Bryman and Bell, 2003).

The appropriateness of either of these approaches has been widely debated in the literature (see, for instance, Patton, 1990). Within the accounting literature, researchers have traditionally followed a quantitative methodology; however, from 1980s the appropriateness of this quantitative approach was questioned because of its failure to examine accounting systems within their organisational contexts (see for instance Tomkins and Grove, 1983; Hopper and Powell, 1985; Chua, 1986). The realisation that the quantitative methodology offers limited explanation for the role of accounting in organisations resulted in a shift towards much the qualitative approach (see Ahrens and Chapman, 2006). Both the quantitative and qualitative methodologies are based on different philosophical assumptions hence it is important that researchers philosophical stands are clearly understood from the outset before the research methodology is selected (Burrell and Morgan, 1979; Hopper and Powell, 1985; Hussey and Hussey, 1997; Ryan *et al.*, 2002; Saunders *et al.*, 2007). Hopper and Powell (1985, p. 429) recognise the importance of philosophical assumptions when they suggested that: "Certain fundamental theoretical and philosophical assumptions underlie any piece of research -there is no such thing as a totally objective or value free investigation." Every researcher bring his/her own worldviews, paradigms[39] or set of assumptions to the research and these inform the conduct and outcome of the study (Lllewellyn, 1992; Denzin and Lincoln, 2000; Creswell, 2007).

5.2.1 The Philosophical Assumptions Underlying the Thesis

Various classifications of philosophical assumptions have been provided by several authors (Burrell and Morgan, 1979; Morgan and Smircich, 1980; Chua, 1986; Donalson, 1995). However, the most influential classification of these assumptions within the management and organisational studies literature has been provided by (Burrell and Morgan, 1979). The Burrell and Morgan framework is discussed in this section because of its influence within the management accounting literature (see

[39]The philosophical assumptions are also referred to as paradigms. Hussey and Hussey (1997, p. 47) described the term paradigm as "The progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge". Paradigms lay down how research should be conducted by offering a framework which consists of acceptable theories, methods and ways of defining data.

Hopper and Powell, 1985; Chua, 1986). This framework therefore provides the basis for locating the philosophical assumptions underlying this thesis. Burrell and Morgan (1979) classify organisational research based on the idea that all theories of organisation are based upon a philosophy of science and theory of society. With regard to the philosophy of science Burrell and Morgan argued that all social scientists approach their subject with assumptions about the nature of the social world and the way in which it may be investigated.

Table 5.1 below provides the schema for analysing the assumptions about the nature of social science research.

Assumptions	Objectivists approach to social science	Subjectivists approach to social science
Ontology	Realism	Nominalism
Epistemology	Positivism	Anti-positivism
Human nature	Determinism	Voluntarism
Methodology	Nomothetic	Ideographic

Sources: Adapted from Burrell and Morgan (1979, p. 3)

The ontological assumptions are concerned with the nature of the reality of the phenomena under investigation. Realism under the objectivists approach assumes that the social world and its structures can be regarded as having an empirical and concrete existence. It is independent, external to and precedes the cognition of individuals (Burrell and Morgan, 1979; Hopper and Powell, 1985). On the other hand, norminalism under the subjectivists approach assumes that reality exists only in the imagination of the individual. In other words, the external social world is made of names, concepts and labels constructed by individuals to structure reality (Burrell and Morgan, 1979).

The epistemological assumption is concerned about what is considered as acceptable knowledge in a field of study (Saunders *et al.*, 2007). This assumption is concerned with the form of knowledge and how it can be acquired and transmitted (Burrell and Morgan, 1979; Hopper and Powell, 1985), it involves the examination of the relationship between the researcher and the phenomena being researched (Hussey and Hussey, 1997; Denzin and Lincoln, 2000). Burrell and Morgan present two extreme positions; the positivists which believe that only phenomena, which are measurable and observable can be considered as knowledge and the anti-positivists who reject the positivists idea and believe that the social world is relativistic and can only be understood from the point of view of the individuals that are involved with the phenomena under investigation.

The next assumption relates to human nature and is concerned with the relationship between human beings and their environment. At one extreme is determinism, which assumes that individuals' behaviour and experience are constrained and determined by the their environments and at the other extreme is voluntarism, which regards people as autonomous, free-willed and capable of constructing their own environment (Burrell and Morgan, 1979; Hopper and Powell, 1985).

The three assumptions described above have a direct implication for the assumptions about methodology (Chua, 1986). Each has a direct consequence on how the researcher investigates and obtains knowledge of the social world and likely to incline the researcher towards a specific methodology (Burrell and Morgan, 1979; Ryan *et al.*, 2002). The nomothetic believes that the social world can be understood using methods and techniques from the natural sciences, while the ideography believes that the social world can only be understood by obtaining first hand knowledge (Burrell and Morgan, 1979). For the nomothetic, methods such as statistical analysis to test hypotheses in search of general law should be employed whilst, for the ideographic, techniques such as interviews and observations should be adopted to obtain information from individuals.

Burrell and Morgan integrated the four extreme assumptions described above to form the subjective-objective continuum. These subjective-objective dimensions can also be linked to the qualitative and quantitative approaches discussed earlier (Hussey and Hussey, 1997). The assumption about nature of society comprises two conflicting debates regarding order and conflict. The order theories are concerned with explaining social order and equilibrium while the conflict theories are concerned with problems of change, conflict and coercion in social structure (Burrell and Morgan, 1979). Burrell and Morgan introduced the notion of regulation and radical change in place of the order-conflict debate. The sociology of regulation is concerned with the need for regulation in human affairs with basic questions about how society holds together and the sociology of radical change is concerned with explaining radical change in existing structures; man's emancipation from the structures that deter and stunt his developmental potential (Burrell and Morgan, 1979).

Burrell and Morgan presented a two-by-two matrix based on the two assumptions discussed above. The assumption about social science (the subjective-objective dimension of ontology, epistemology, human nature and methodology) was represented on the horizontal axis and the structure of society (sociology of regulation and radical change) was represented on the vertical axis. The framework also identified the four mutually exclusive paradigms that exist in social science research (see figure 5.1 below). These paradigms are; radical humanists, radical structuralists, interpretive and functionalists. Burrell and Morgan (1979, p. 23) argued that these paradigms “define fundamentally different perspectives for the analysis of social phenomena. They approach this endeavour from contrasting standpoints and generate quite different concepts and analytical tools.” In other words the four paradigms offer different ways of seeing the social world.

Figure 5.1 below presents the four paradigms for the analysis of social theory.

Radical Change

Radical Humanism | Radical Structuralism

Subjectivism | Objectivism

Interpretive Sociology | Functionalist Sociology

Regulation

Sources: Adapted from Burrell and Morgan (1979, p.29).

The functionalists paradigm is rooted in the sociology of regulations and approaches its subject matter from an objective point of view (Burrell and Morgan, 1979). The functionalist approach is concerned with explaining the status quo, integration, social order, solidarity, agreement, satisfaction of needs and actuality from the objective view point of realist, positivist, determinist and nomothetic. Functionalist researchers assume that the social world is real, made of concrete empirical phenomena and relationship, which restrict individual's actions and can be identified, studied and measured, hence the adoption of techniques of the natural science (quantitative approach) (Chua, 1986; Macintosh, 1994). Functionalists paradigm is also referred to as mainstream approach (Hopper and Powell, 1985; Chua, 1986; Ryan *et al.*, 2002).

The radical humanist approach is concerned with radical change from a subjectivist stand point. The radical humanist approach views the world from nominalist, anti-positivist, voluntarist and ideographic perspectives. The basic notion underlying the radical humanist approach is that "the consciousness of man is dominated by the ideological superstructures with which he interacts, and these drive a cognitive wedge between himself and his true consciousness;" (Burrell and Morgan, 1979, p. 32) which subsequently prevents human fulfilment (Chua, 1986). Radical humanist theorists are concerned with finding ways of releasing humans from the existing social arrangement which restricts them from attaining their true potentials. Researchers adopting critical theory follow the radical structuralist assumption (see Hopper and Powell, 1985).

The radical structuralist approach focuses on radical change from an objectivist standpoint. Their approach to social science is similar to that of the functionalist as they view the social world from a realist, positivist, determinist and nomothetic stand point. However, they are committed to "radical change, emancipation and potentiality, in an analysis which emphasises structural conflict, modes of domination, contradiction and deprivation (Burrell and Morgan, 1979, p. 34)." The common concern of the radical structuralist theorist is the view that modern society "is characterised by fundamental conflicts which generate radical change through political and economic crises (Burrell and Morgan, 1979, p 34)."

The interpretive paradigm is rooted in the sociology of regulation and approaches its subject matter from the subjectivist approach to the social world. Burrell and Morgan (1979, p. 28) described the interpretive approach as:

> Informed by the concern to understand the world as it is, to understand the fundamental nature of the social world at the level of subjective experience. It seeks explanation within the realm of individual consciousness and subjectivity, within the frame of reference of the participant as oppose to the observer of action.

Interpretive perspective assumes that every individual interprets situation in their own way and this understanding becomes very real as they react towards events or situations on the basis of this personal sense (Macintosh, 1994). Interpretive researchers approach their studies from the nominalist, anti-positivist, voluntarist and ideographic stand point.

This study is located within the interpretive paradigm with its subjective assumptions about social science and the sociology of regulations described above. Interpretive research assumes that reality is constructed through individual interactions; hence social practices such as MCS are socially constructed not a natural phenomena. Interpretive accounting researchers aim at analysing such accounting realities and the way they are socially constructed and negotiated (Hopper and Powell, 1985; Ryan *et al.*, 2002).

The concern of this thesis is to understand public sector reforms and changes in MCS in the case organisation, NSC. It is the assumption of the researcher that the public sector reforms and MCS change are socially constructed and can therefore be understood by relying on the subjective interpretation of the various organisational actors (Burchell, *et al.*, 1980; Hopwood, 1987; Ryan *et al.,* 2002). Thus the study's ontological assumption is norminalism. The researcher believes that reform and the accounting realities are socially constructed by the various organisational actors. Thus, "the social world is re-created by actors with every encounter, and that reality is the accomplishment of individual sense making (Ryan *et al.*, 2002, p. 38)."

In line with an ontological position, the thesis adopts an anti-positivistic stand as its epistemology. The researcher believes that knowledge can only be gained through obtaining the subjective meaning of reforms and MCS change from the individual actors or managers that are involved with the reforms. With regards to the assumptions relating to human nature, the researcher assumes the voluntarist point of view with the belief that that human beings have free will and can change and shape their environment.

The interpretive paradigm has been widely adopted in accounting research, especially in the field of management accounting. These studies are concerned with understanding the social nature of accounting practice (Ryan *et al.,* 2002) and have focused on studying real world management accounting practices, decisions and settings, with the purpose of analysing, interpreting and understanding them and thus identifying solutions to pragmatic problems (Elharidy *et al.*, 2008).

Interpretive approach focuses on the process of interpretation which makes it difficult if not impossible to draw on other paradigms (Wilson, 1971; Tomkins and Groves, 1983). As argued by Chua (1986) the interpretive approach provides opportunities for comprehending accounting in action because of the emphasis on actor's definition of what is being studied and how this phenomenon is woven in a wider social framework. Interpretive approaches focus on the everyday life of organisations as they exist, rather than exploring abstract problems and providing artificial solutions by sitting at a distance and using some remote lens (Elharidy *et al.*, 2008); it aims at producing rich and deep understandings of how MCS is understood, thought of, interacted with and used by managers and employees in organisations (Macintosh, 1994).

Hopper and Powell (1985, p. 447) emphasise that interpretive approach provides better understanding of accounting practices because of its emphasis on how accounting meanings are socially generated and sustained. A similar argument has been made by Chua (1986) that interpretive researcher offers a way of understanding accounting in it social and political setting.

5.2.2 Methodological Choice

As discussed earlier the choice of a particular methodology is influenced by the assumptions about ontology, epistemology and human nature (Burrell and Morgan, 1979; Hopper and Powell, 1985; Ryan *et al.*, 2002). In addition, to the philosophical assumptions other factors need to be considered when choosing a methodology (Creswell, 2007; Glaser and Strauss, 1967; Marshall and Rossman 1989; Strauss and Corbin, 1990, Hoepfl, 1997). Creswell (2007) identified five factors that need to be considered when choosing methodology. These are the research outcome, the audience questions, the background questions, the scholarly literature questions and personal approach questions. Robson (1993) also suggested that the researcher needs to consider the purpose of the research and the research questions. Hoepfl (1997) argued that the decision to employ qualitative methodology should be done carefully as qualitative research is emotionally taxing, costly and time consuming.

The ontological, epistemological and human nature assumptions that underpin this research have been explained earlier thereby locating the study within a subjective/regulation interpretive paradigm. These assumptions are in line with the aims of the research which are to understand the process of the public sector reforms in NSC and how MCS are produced and re-produced by the actors within the reforms. In line with these assumptions and aims of the research, an approach that places emphasis on the social constructions of MCS is deemed most appropriate. Tomkins and Groves (1983) suggested that qualitative inquiry is most valuable when researching issues such as how accounting reports are put to use, their influence on human behaviour and the purposes for which they are produced. Strauss and Cobin (1990) suggested that qualitative research is more appropriate where little is known about the phenomenon under investigation or when much is known about a phenomenon in order to gain new perspectives or when it is difficult to obtain information through the quantitative approach. Thus, qualitative research is considered as the most appropriate methodology to conduct the study. This study is considered as the first research so far that investigates MCS change in the context of public sector reforms in Nigeria.

The choice of the qualitative approach is also theoretically justified since as argued earlier accounting systems are not natural phenomena but instead they are socially constructed and can thus be changed by the social actors themselves (Ryan *et al.* 2002). This means that we should not be searching for universal laws and generalisations as in the case of the natural sciences, but for the implicit and explicit rules that structure social behaviour, however, these rules are themselves the outcome of social behaviour.

Tomkins and Groves (1983, p. 364) stresses the importance of adopting qualitative research in accounting as follows:

> Academics interested in studying behaviour relating to accounting and the "value" of different accounting procedures, therefore need to place less emphasis on mathematical analyses and modelling, statistical tests, surveys and laboratory tests if these are not associated with specific real world problems in the sense of not relating to specific decision contexts.

As a result, Tomkins and Groves suggested that academics might profit more by adopting detailed field-based approach to research. This will enable researchers to focus on understanding the context within which decisions are made and how practitioners perceived and interpret their world (see also Burchell *et al.,* 1980). In effect this approach will enable researchers to concentrate on issues that concern practicing managers. Such an approach is also likely to lead to development of reliable theories about accounting in action and theories about the effects of alternative accounting procedure (Tomkins and Groves, 1983).

A similar argument to the one presented above has been made by Boland and Pondy (1983, p. 225-226) that accounting researchers in organisations "must focus on action in organisational settings…must use case analysis of specific situations…must be interpretive…must step out of actor's frame of reference, ….in the sense that the actor's purely subjective interpretation must be transcended." Qualitative approach is about observing phenomena in it natural setting and reporting them in a systematic way (Atkinson and Shaffir, 1998). The characteristics of qualitative research have been presented by Hoepfl (1997).

Overall qualitative research uses the natural setting as the source of data whereby the researcher observes and describes and interpret settings as they are, maintaining what Patton calls an "empathic neutrality" (1990, p. 55). Also, in qualitative research, the researcher acts as the human instrument of data collection and predominantly uses inductive data analysis. Qualitative research reports are often descriptive, incorporating expressive language and the "presence of voice in the text" (Eisner, 1991, p. 36). Hoepfl (1997) also argues that qualitative research has an interpretive has and an emergent (as opposed to predetermined) design thereby making it a dynamic approach.

Qualitative data provides rich descriptions of the social world, particularly the meanings attached to actions and events in the language of the main actors; it has facilitated the exploration of unforeseen relationships and reduces the researcher-induced retrospective distortion and unsupported inferential leap (Covaleski and Dirsmith, 1990; Atkinson and Shaffir, 1998). It allows the researcher to acquire intimate knowledge of the phenomenon under study by investigating it in its natural setting (Tomkins and Groves, 1983; Hoepfl, 1997; Atkinson and Shaffir, 1998) and yields rich information that cannot be obtained through statistical inquiry (Hoepfl, 1997). Qualitative approach presents a greater potential for open-ended interaction between the researcher and the researched (Ahrens and Chapman, 2006). According to Atkinson and Shaffir (1998) central to qualitative research is experiencing reality as others experience it.

The validity of using a quantitative approach in researching the social sciences was contested by some researchers who argued that quantitative approach is not appropriate for investigating social behaviour. Tomkins and Groves (1983) argued that quantitative methodologies are only appropriate when one can adequately deduce reality by the use of dependent and independent variables and the statistical relationships between them; however, deductive logic "rests on the assumption that the meanings attached to variables are independent of the situation in which they are used - that they may be interpreted "literally" and are not indexical expressions. Such literal interpretations of variables can (usually) be taken for granted in the natural sciences where problems of methodology are reduced more to ones of method concerned with the design of competent and practical techniques, but the same stance cannot be assumed in researching social action" (Tomkins and Groves, 1983, p. 366). As argued by Blumer (1978), conventional scientific analysis is inappropriate for the study of empirical social world. Thus scientific analysis forces data into artificial framework that may not have any relevance to real events in the social world.

Qualitative methodology is employed in this thesis in order for the researcher to be close to the phenomena under investigation (i.e. public sector reforms and to the MCS). Qualitative methodology enabled the researcher to study and interpret how the members of the case organisation and other respondents construct their reality, in particular how the reforms network and MCS are shaped and re-shaped by various actors in NSC.

Qualitative methodology allowed the researcher to be part of the organisational daily activities and interact with the organisational actors. This approach facilitated the tracing of the reform processes and the how the MCS were constructed by the actors. It also enabled the researcher to discover other issues that were not part of the initial research questions, for example, previous reforms and how they are linked with the existing reforms.

5.3 The Research Method – The Case Study Approach

As discussed earlier in this chapter, the choice of methodology is influenced by both the philosophical stance and the research objectives and questions. The chosen methodology then determines the choice of research methods. In other words, the choice of an appropriate method depends on the researcher's chosen methodology and the nature of the research (Scapens, 1990, 2004; Hussey and Hussey, 1997, Robson, 1993). Yin (2003) argues that the choice of methods depends on three conditions namely; 1) nature of the research question, 2) the control the researcher has over actual behavioural events, 3) the level of focus on contemporary as opposed to historical events.

Table 5.2 presents the situation when a particular research strategy is preferred.

Strategy	Type of research question	Required control of behavioural events?	Focuses on contemporary events?
Case study	How, why	No	Yes
Survey	Who, what, where, how much, how many?	No	Yes
History	How, why?	No	No
Archival analysis	Who, what, where, how much, how many?	No	Yes/No
Experiment	How, why?	Yes	Yes

Source: Yin (2003, p.5)

For the purpose of this thesis a case study approach is considered to be the most appropriate research method. Case studies are the preferred strategy "When a "how" or "why" questions are being asked about a contemporary set of events over which the investigator has little or no control (Yin, 2003, p.9)." In the context of accounting research, Ferreira and Merchant (1992) argued that case studies are powerful tools for studying issues that are not well understood, complex or contextually contingent, sensitive in ways that survey response may be biased; and where the data required are not publicly available. Scapens (1990, P. 264) stresses the appropriateness of case studies further as: "Case studies offer us the possibility of understanding the nature of management accounting in practice; both in terms of the techniques, procedures, systems, etc. which are used and the way in which they are used." Berry and Otley (2004) argued that case studies are appropriate for studies that focus on understanding context, contents and processes of accounting practice.

According to Dyer and Wilkins (1991, p.615) the ultimate aim of case studies is "generally to provide a rich description of the social scene, to describe the context in which events occur, and to reveal what Light (1979) referred to as the *deep structure* of social behaviour." Case study involves an in-depth study of a phenomenon. Creswell (2007, p. 73) defined case study as "a qualitative approach in which the investigator explores a bounded system (case) or a multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g., observations, interviews, audiovisual materials, and documents and reports) and reports a case description and case-based theme." Case studies can be employed in a variety of ways (Ryan *et al.,* 2002). They can be employed to conduct either qualitative or quantitative research. Furthermore, evidence in a case study can be collected using qualitative or quantitative methods or a mixture of both.

Ryan *et al.* (2002) identified five types of case studies, namely, descriptive, illustrative, exploratory, explanatory and experimental. In descriptive case studies, the focus is on describing particular accounting systems, procedure and techniques. Illustrative case study aims at demonstrating new innovative practices developed by companies. This type of case study provides an illustration of what is being achieved in practice.

Exploratory case study is adopted when the aim of the research is to explore the reasons for particular accounting practices. This approach allows the researcher to develop ideas and hypotheses, which subsequently can be tested on larger scale studies, with the objective of generalisation. In explanatory case studies, the researcher attempts to explain the reasons for observed accounting practices. The objective of explanatory case studies is to provide a good explanation of the case instead of dwelling on generalisation. Finally, experimental case studies are employed to examine the difficulties involved in adopting new procedures or techniques in practices and also in evaluating the benefits derived from them.

The approach adopted in this study can be described as both explanatory and exploratory. Explanatory studies focus on a single case and employ a social theory for guidance, explanation and understanding (Rahaman and Lawrence, 2001). The research problem this thesis seeks to address is based on understanding MCS change in the context of public sector reforms in Nigeria. Comprehensive data about various reforms and how MCS are produced and reproduced can be obtained through a detailed case study. According to Scapens (2004) the selection of a case study should be guided by research questions and the theoretical framework which is the basis of explanatory case studies. The current study is also exploratory because it attempts to find reasons for the adoption of the public sector reforms and the MCS in the case organisation.

The strengths of case studies are stressed by various researchers. Yin (2003, p. 2) argued that case study method allows the researcher to "retain the holistic and meaningful characteristics of real-life events-such as individual life cycles, organisational and managerial processes, neighbourhood change, international relations and the maturation of industries." Case study research enables researchers to gain an intimate, contextually sensitive knowledge of organisational phenomena (Patton, 1987; Birnberg *et al.*, 1990; Atkinson and Shaffir, 1998); it offers the opportunity to learn about the conflicting meaning and tension that were ascribed to MCS operations (Covaleski and Dirsmith, 1990) and also permits the researcher to draw from various sources of evidence (Yin, 2003).

Furthermore, a case study approach presents the possibility of understanding the nature of accounting practices, in terms of techniques, procedures and systems used and the way in which they are used (Ryan *et al.,* 2002). Caplan (1989, p.117) argued that case studies "permit the researcher to examine the behavioural effects of accounting in the complex and interactive environment in which accounting actually exists. Without this "context," the study of accounting becomes an abstraction, removed from reality-and that is particular unfortunate for a discipline that is essentially pragmatic nature."

It must be pointed out that despite these strengths, the case study approach has also been criticised by researchers for its lack rigour; subject to sample selection bias; use a small sample, hence their findings cannot be statistically generalised; and being time consuming and costly for both the researcher and the case organisation and result in massive unreadable documents (Ryan *et al.,* 2002; Yin, 2003).

The proponents of case studies have however provided defence for the above criticism. For example, they argue that case study rigour come through the careful consideration in collecting and analysing data and its findings can be theoretically generalised (Scapens, 1990; Yin, 2003). The aim of case studies is to expand and generalise theories (analytic generalisation) and not to provide statistical generalisation (Otley, 1994; Yin, 2003). This was reiterated by Ryan *et al*. (2002 p.149) as:

> The objective of such studies is to develop theoretically informed understandings that provide explanations of the observed phenomena…the theories that provide convincing explanations are retained and used in other case studies, whereas theories that do not explain will be modified or rejected.

Researchers also argued that case study biased can be reduced through collecting evidence from multiple sources (Birnberg *et al.,* 1990; Scapens, 1990; Yin, 2003) and by conducting the studies in teams (Scapens, 1990) or through an interdisciplinary research team (Caplan, 1989).

Based on the arguments presented in this section, a case study can be considered as the most appropriate approach in examining public sector reforms and the role of MCS in the case organisation (NSC).

5.3.1 The Thesis Case Study Strategy

This section outlines how the study was conducted. A single and complex organisation was selected as the case study for this thesis. Creswell (2007) argued that a single case study provides more in-depth analysis than multiple cases, because the more cases in an individual study, the less in-depth are any of the cases. Dyer and Wilkins (1991, p. 614) stressed that the essence of a case study is: “the careful study of a single case that leads researchers to see new theoretical relationships and question old ones.” By conducting the study in a single organisation a rich theoretical insight can be gained from the case. According to Dyer and Wilkinson (1991, p. 615) multiple cases description “will be rather “thin,” focusing on surface data rather than deeper social dynamics…they tend to neglect the more tacit and less obvious aspects of the setting under investigation. They are more likely to provide a rather distorted picture or no picture at all, of the underlying dynamics of the case.”

This study is considered to be the first conducted in Nigeria that investigates MCS change in the context of public sector reforms. NSC being one of the biggest public enterprise in Nigeria provides a means for obtaining an in-depth understanding of the reforms process and how MCS change. Stake (1995) suggested that researchers should choose a case study that can maximise what can be learnt. One can argue that NSC is one of the most important public enterprise in Nigeria, thus conducting a case study in NSC presents an opportunity to gain in-depth understanding of reforms in Nigeria in general and specifically the production and reproduction of MCS in NSC.

Single case studies are distinguished by Yin (2003) as holistic and embedded. Holistic case study involves a single unit of analysis, while the embedded case study involves more than one unit of analysis. This thesis is considered to be an embedded case study as the analysis involves other units. The reforms processes and MCS productions and reproduction were investigated and analysed at NSC's head office and some of its subsidiaries.

5.3.1.1 Planning for the Case Study

A comprehensive guide on how to carry out case studies has been provided by Yin (see, Yin, 1989, 1994, 2003). Yin's guidelines were found very detailed and useful and therefore followed in preparing and collecting evidence for this study.

Yin (1994) suggested that before embarking on a case study, a researcher needs to acquire several skills, namely, be able to ask good questions and interpret the response, be a good listener, be adaptive and flexible in order to adapt to the different situation, have a firm grip of the issues being studied and be unbiased by preconceived notions.

The current researcher, although new to academic research had some prior skills suggested acquired from a previous job. Before embarking on the PhD programme, the researcher had worked in various departments in a commercial bank[40] and had interacted with different types of people. The researcher was also involved in many research activities, which involved interviewing and analysing data regarding the banks products and services. In addition, the researcher underwent some training on how to conduct case studies and read many books and articles on how to go about

[40] The researcher had worked as a customer services officer where she serves as the first and main contact point for the bank and its customers. The researcher interacted with these people in person or via telephone every day. The researcher also worked in the cash department where cash, cheque deposit are received and paid to various people and also served as the branch treasurer and head of operations.

conducting qualitative research. In order to become familiar with the case site and issues under investigation, various documents on public sector reforms in Nigeria and the case organisation were reviewed.[41] An informal discussion was conducted with some of the case organisation's employees, who were conducting their postgraduate studies at the same institution as the researcher, and also the organisation's website was visited frequently.

Furthermore, Yin (1994) suggested that the researcher developed a draft protocol. The aim of the protocol is to guide the researcher in carrying out data collection and also enhance the reliability of the research (Yin, 1994). Protocol imposes discipline on the researcher which is important to the progress and reliability of the research and its development brings out problems that will only be faced during the study (Tellis, 1997).

A research protocol consists of the following sections:

- Overview of the projects which includes the case study objectives, issues and relevant reading about the topic under study.
- Field procedure which includes credentials for assessing the case organisation, locating the data sources and reminders about procedures.
- Case study questions which are the specific questions the researcher must keep in mind during the data collection.
- Guide for case study reports, that is, the outline and format of the study report.

A research protocol was developed to guide the thesis data collection process. The research protocol included several things such as the objectives of the study, background on the issue under investigation, case study questions, sources of data, the

[41] These documents include; newspapers reports, articles from magazines and the case site reform documents.

procedure for collecting data and letter of introduction written by the thesis supervisor (see appendix 5.1). However, during the field study the protocol was modified many times in order to capture new issues that had emerged. This is in line with Patton (1990), who noted that finalising research strategy before data collection is not possible and nor is it appropriate.

5.3.1.2 Access Arrangement

As discussed above the data collection for the thesis took place in a single, large and complex organisation. In most developing countries access to research site requires an informal arrangement (Uddin and Tsamenyi, 2005). According to Jankowicz (2005) it is important to use existing contacts if possible in order to gain access. In this study, an informal arrangement was made prior to the field work. As soon as the researcher identified the research problem and the research questions for the study, the researcher conducted a preliminary inquiry into various public sector organisations in Nigeria in order to identify the best organisation that suited the investigation. Stake (1995) suggested that a researcher should select a case study that can maximise what can be learned. The NSC was selected for the study due to its political, social and economic role in Nigeria and it provides the means for investigating the research problem.

After the NSC was identified as a potential case site, the researcher made several phone calls to various NSC staff that she was acquainted with. This is in-order to find out whether it is possible to conduct the study in the organisation and to obtain some information about the reforms in the organisation. The researcher's family and former lecturers were also contacted to assist in obtaining access. Assurance was gotten (informally) that it is possible to carry out the study in the organisation and also some documents regarding the case site reforms were emailed/posted to the researcher.[42]

The researcher went to Nigeria in August, 2007 to conduct the case study and remained there for a period of seven months. During the first visit to the case organisation, the supervisor's letter was presented to the management of the organisation. The study was approved by senior management and an acceptance letter was given to the researcher with permission to access the organisation for a period of three months (see appendix 5.2). At the expiration of the three-month period permission was sought for and granted to extend the stay further (see appendix 5.3). A total of seven months was spent in the organisation.

The researcher was attached to the finance and accounts department, who were asked to co-ordinate the study. During the initial meeting with the department, a senior manager was advised to map out the strategy for conducting the study. The senior manager and the researcher discussed what the study is all about, the aims of the study and the sort of staff the researcher was interested in interviewing. The selection of potential interviewees was part of the research protocol discussed above. The selection was based on the research questions and the theoretical framework guiding the study, hence the selection was focused and theoretical (Ferreira and Merchant, 1992; Miles and Huberman, 1994). The manager identified the participants that suited the study and interview appointments (dates and times) were scheduled with each of the participants.

[42] These documents were part of the initial documents reviewed discussed in section 5.4.1

The researcher visited the organisation every working day in order to conduct interviews, observe and interact with managers. The researcher also spent some time local libraries and other document centres reviewing various publications about the organisation and making photocopies of relevant documents. Yin (2003) suggested that during field study the researcher should allocate some time to visit local libraries and other document centres. The researcher's role in the case study is what was described by Ryan *et al.,* (2002) and Scapens (2004) as 'visitor'.

Access to other interviewees (i.e. a politician, an external consultant, external auditors, and Bureau of Public Enterprise (BPE) staff) staff) was gained through personal contact and in some cases the staffs in the NSC assisted the researcher in obtaining access. Access to World Bank and the International Monetary Funds country offices could not be obtained. Several attempts were made and in the end due to the time constraints the researcher had to give-up.

5.3.2 Methods of Collecting Data

In order to collect the relevant data for the study, a suitable method for data collection needs to be employed. There are various methods of collecting case study evidence (see, for instance, Yin, 1994, 2003; Stake, 1995; Creswell, 2007; Hussey and Hussey, 1997). These methods include; archival records, direct observation, participants-observations, documentation, physical artefacts and interviews. Each of these sources of evidence has strengths and weaknesses. Table 5.3: presents the strengths and weaknesses of each source.

Table 5.3: Various evidence sources and their strengths and weaknesses

S/N	Source of evidence	Strength	Weaknesses
1.	Documentation	-Stable - can be reviewed repeatedly -Unobtrusive - not created as a result of the case study -Exact - contains exact names, references, and details of an events -Broach coverage - long span of time, many events, many settings	-Retrievability can be low -Biased selectivity if collection is incomplete -Reporting bias – reflects (unknown) bias of author -access – may be deliberately blocked
2.	Archival records	-(same as above documentation) -Precise and quantitative	-(same as above documentation) -Accessibility due to privacy reasons
3	Direct observations	- Reality - covers events in real time -Contextual - covers context of event	- Time-consuming -Selectivity - unless broad coverage -Reflexivity events may Proceeded differently because it is being observed -Cost - hours needed by human observers
4.	Participant observation	-(Same as above for direct observations) -Insightful into interpersonal behaviour and motives	-(Same as above for direct observations) -Bias due to investigator's manipulation of events
5.	Interviews	-Targeted focused directly on case study topic -Insightful – provides perceived casual inferences	-Bias due to poorly constructed questions -Response bias -Inaccuracies due to poor recall -Reflexivity –interviewee gives what interviewer want to hear
6.	Physical artefacts	-Insightful into cultural features -insightful into technical operations	-Selectivity -Availability

Source: Yin (2003, p.86).

However, not all of the sources need to be used for every piece of research. Since this thesis focuses on understanding the public sector reforms and their impacts on MCS, interviews, documentation and observations are considered as the most suitable methods to collect data. This is in line with Yin's (2003, p.98) suggestions that "The use of multiple sources of evidence in case studies allows an investigator to address a broader range of historical, attitudinal and behavioural issue" and also allow triangulation.” The three methods and how they were used to collect data are discussed below:

5.3.2.1 Interviews

Interviews are the most important sources of evidence in a case study (Yin, 2003). It is a data collection method in which participants (individuals or groups) are asked questions in order to establish what they do, think or feel, and they can be conducted face-to-face, voice-to-voice or screen-to-screen (Hussey and Hussey, 1997). A well informed participant can provide an important insight and shortcut to the prior history of the situation helping the researcher to identify other relevant information sources (Yin, 2003). It is useful to interview a number of people since perceptions are likely to vary (McQueen and Knussen, 2002).

A total of seven months was spent in the case organisation. During this time, a total of seventy-three open-ended semi structured interviews with (NSC staff in head office and subsidiaries from different hierarchical positions, external consultants, external auditors, Bureau of Public Enterprise officials and politicians) were conducted. However, the interviewees were encouraged to discuss freely. Hussey and Hussey (1997) asserted that interpretative researchers should encourage the interviewees’ to discuss other issues. The majority of the interviews took place on the organisation’s premises, except for those conducted with other actors that were not employees of the organisations as discussed in the above section. Interviews constituted the main data source. However, the interviews were supplemented with various documents[43] and observations.

[43] The documents obtained are discussed in section 5.4.3.2

The initial interviews focused on the recent reforms taking place at that time and the new MCS that were introduced. However, after analysing the initial interviews and some documents, the data suggested that the organisation had introduced various reforms, with the first in 1986 and as a result of those reforms various MCS such as were introduced into the organisation. The implementations of some of these MCS were still ongoing at the time of the research. Because of these findings the interview questions were modified to reflect and capture this new information and the interview guide was also modified (see appendix 5.5).

The subsequent interviews focus on both the present and the previous reforms but with more emphasis on the design, implementation and uses of MCS. The managers that were part of the previous reforms were identified through referral from the managers interviewed. These referrals enabled the researcher to collect current as well as historical data. This is in line with interpretive perspective adopted for this study, which required detailed studies of accounting practices. Ryan et al., (2002 p. 87) emphasised that "It is necessary to locate current practice[s] in their historical, social and organisational contexts." Furthermore, some of the managers have worked in more than one reform team. So the researcher had to rely on their memory. However, memory can be partially clouded by present views thus the researcher asked the same questions repeatedly to different people and also whenever possible drew from multiple evidence.

These interviews with managers (and others), together with documentary evidence on the previous reform were used to construct the historical context of the past reforms and MCS introduced. The head office and three subsidiaries were visited to collect evidence. The interviewees worked in different departments and held different positions in the organisation. The interviewee range include staff in the; Accounts department, Human Resources, Planning department, Quality Department and engineers. The interview process focused on understanding the idea behind the reforms, changes that occur and the role the interviewees played in the reform. The interviews with the external consultants focused on understanding their role in the reforms and their influence on MCS change. External auditors were also interviewed to understand the changes they observed in the case organisation.

Thirty-eight of the seventy-three interviews were tape recorded, while the remaining thirty-five were not as per the interviewees' requests. The reason for denying the request to tape record those interviews might be ascribed to the political nature of the organisation and also to the interviewees' lack of exposure to academic research in general and qualitative research approach in particular. However, notes were taken during those interviews and when the researcher observed anything it was quickly jotted down in a note book. At the end of every interview the notes were typed.

A research diary, field note book and a case study database where all the interview notes and documents are stored were kept; this is in accordance with Yin (1994) and Stake's (1995) recommendations. The researcher also gathered and identified informal evidence. Scapens (1990) asserted that informal evidence might give indications about the validity of information sources. For instance, it was observed that people from one of the Nigeria's dominant tribe do not like to talk about how things are on the ground rather they talk about how things are supposed to be. In such exchanges the researcher has to probe further in order to get them talk about the true situation.

Some challenges were faced during the field study. For instances, some interviewees rescheduled the appointments and this sometimes disrupted the interview plan. In addition, there were two occasions were during the interviews, the interviewee received calls from their superior, and were asked to go for an immediate assignment outside the organisation, thus the interview had to be postponed. Another problem occurred in cases where interviews were conducted in an office occupied by more than one person, e.g. the non participatory staff sometimes received a phone-call and this affected the quality of the recording. During transcription that part had to be listen to over and over again to make sure the correct data was obtained.

5.3.2.2 Documentary Evidence

According to Stake (1995) documentary evidence serves as a substitute for records of activities that the researcher might not have observed directly. They are likely to be relevant in any case study and they provides means for confirming and supplementing evidence from other sources (Yin, 2003). Documentary evidence such as, the organisations quarterly magazine, monthly newsletter, and reports and newspaper articles were collected. In addition, documents such as; the operations manual, monthly and quarterly performance reports, budget manual reports, reform documents and other internal documents were collected. However, in some cases the documentary evidence collection was complicated because of either the inappropriate documentation or because of the political nature of the organisation. For instance, on one occasion the researcher was made to promise that the documents received were going to be used for the study only. Privatisation and commercialisation documents were obtained from the BPE. Further documents were also collected from the World Bank and IMF reports.

5.3.2.3 Observations

Observation can be used to illuminate findings or in examining a situation more closely (McQueen and Knussen, 2002), it enables the researcher to understand the case better (Stake, 1995). Sekaran (1992, p.215) noted that "observation is the application of the sense of vision to gather information about people in their natural work environment and to record their behaviour." According to Patton (1990) deeper understanding can be obtained from observations than through interview alone, as it provides knowledge of the context in which the events occur and may enable the researcher to see things that the interviewees are not aware of, or are not willing to discuss.

Direct observation takes place when the researcher visits the site and can be formal or informal (Tellis, 1997). The researcher spent seven months in the field and during that time made many observations, both formal and informal. During any interview when any observation is made by gesture or tone of the voice the researcher noted that and tried to probe for further clarification by asking more questions. Being in the organisation for seven months enable the researcher to observe the organisation's daily activities; these include action such as opening time, the level of work done and MCS in action. Informal observations were also made, especially during lunch breaks. Participant observation was also made. The researcher attended a seminar on MCS organised for new recruit where she took part in asking questions. A meeting was also observed. During the seminar and the meeting the researcher asked questions, made notes on the issues discussed and the way different level of staff interact with each other. Furthermore, having conducted the study in the NSC which had undergone various reforms and introduced different MCS, the researcher observed the plan implementation of some MCS. The plan implementation of System Application and Products in Data Processing (SAP1) and the new Performance Measurement systems were observed by the researcher. Observation was also made regarding the infrastructure of the organisation and the country as a whole in the context of the reforms process.

5.4 Data Analysis

Scholars such as (Miles and Huberman, 1994; Wolcott, 1994; Stake, 1995; Yin, 2003) have presented various ways of analysing qualitative data. However, these techniques and strategies are not well defined (Ferreira and Merchant, 1992; Yin, 2003), hence there is no right or wrong way of interpreting qualitative data. According to Creswell (2007) the core elements of qualitative data analysis are coding the data, combining the codes into broader categories or themes and displaying and making comparisons in data tables, graphs and charts.

According to Stake (1995, p. 71), there is no particular stage where case study data analysis should be started; it "is a matter of given meaning to first impressions as well as to final compilations. Analysis essentially means taking something apart." Miles and Huberman (1994) suggested that qualitative data analysis consists of three simultaneous flows of activities: data reduction, data display and conclusion drawing/verification. Yin (2003) presents the five modes of analysing qualitative data as; pattern matching which involves comparing an empirical pattern with the predicted one (Trochin, 1989 in Yin, 2003), explanation building which involves analysing the case data by building an explanation about the case; time series traces changes in patterns over time; logic models involve matching empirical evidence with theoretical prediction and cross case synthesis techniques aggregate findings from a series of study (Yin, 2003).

Pattern matching and explanation building are drawn and refined in this study in order to make sense of the data. In addition, during the early days and up to the end of the field study, the researcher adopted the early analysis method of contact summary sheet and coding as recommended by Miles and Huberman (1994). These early analyses “help organise data for later, deeper analyses…it helps the field-worker cycle back and forth between thinking about the existing data and generating strategies for collecting new, often better, data…It make analysis an ongoing, lively enterprise that contributes to the energising process of fieldwork” (Miles and Huberman, 1994, p. 50).

At the end of every interview, the researcher wrote up the interview notes, observation notes, and if the interview had been tape recorded, the researcher transcribed the interview verbatim within four days. These documents were later studied over and over again, and any reflective comments or remarks, such as observations made during interviews that were in contradiction to what the interviewee was saying, incidences that occurred during the data collection, and any idea that came to the researcher’s mind when reading the documents, were noted on the side of the documents. Marginal and reflection remarks add meaning and clarity to the field data (Miles and Huberman, 1994). The interview main points were highlighted in a contact summary form, wherein all the main issues discussed, new issues identified, recommendations by the contact and further issues for concerned were filed (see appendix 5.6). For the document, a documentary summary form was also completed (see appendix 5.7). This process of data analysis was adopted throughout the fieldwork.

Coding was then applied to the data. The aim of coding is to learn from the data and keep revisiting it until a pattern and explanation is understood (Richards, 2005). At the beginning of the field work, the theoretical framework and the research questions provided the basis for the codes, for example, codes such as political reason (WR-PLT), economic reason (WR-ECO), social reason (WR-SOC) were derived from the research question of why public sector reforms (WR) in Nigeria (for the lists of the initial codes see appendix 5.8). However, as more data is collected and more issues were discovered the codes were refined in order to reflect those issues. The new issues discovered include past reforms that took place and MCS implemented. These codes were refined repeatedly during the data collection process to capture what was happening in the case. However, the later codes reflect only the major themes that emerged from the data.[44] This is in line with Humphrey's and Scapens' (1996) suggestions that a theoretical framework should be loosely held so that it can be challenged and refined as a result of the research process. Scapens (1990, p.272) emphasises further "A researcher who favours the pattern model of explanation will view case studies as an opportunity to understand social practices in a specific set of

[44] Strauss and Corbin (1990) referred to this type of coding as open coding.

circumstances. Theories will be used to explain observations, and observations will be used to modify theory."

Dominant themes identified include themes such as political interference, power, consultants, corruption, mismanagement, maintenance and others (see appendix 5.9). The coding was done manually (no computer application was used), this is because different issues and questions were explored and some of the interviews were in the researcher's local dialect and there is no software that supports that language. Scapens (2004) argued that computer packages such as NUD*IST or QSR are more suitable where similar issues and questions are covered in a number of interviews (Scapens, 2004), thus manual coding is appropriate for this study.

The next stage of the analysis is pattern matching and case explanation. However, the study did not strictly follow Yin's recommendation of pattern matching by looking for comparison between the case evidence with the pattern established in the literature or the theory. Rather the main themes that emerged during the data collection provided the foundation for the main pattern and explanation of the study. The data and the themes were studied over and over again. Patterns were identified from the themes and plausible explanations were constructed from the regularities observed. In other words, the patterns were identified from themes such as power, mismanagement, political interferences. Those themes occurred repeatedly across the data. These explanations are presented in chapters six and seven. The explanations are re-analysed in chapter eight using the theoretical framework and the literature to provide the interpretational explanation of the case.

5.5 Theoretical Framework that Guided the Study

The theoretical framework employed for this thesis was discussed in detailed in chapter three, thus a brief overview is provided in this section. A theoretical framework is an essential starting-point for any case study research. According to Ryan *et al.,* (2002, p. 144) "Theory is used in order to understand and explain the specific, rather than to produce generalisations."

Actor Network Theory (ANT) is drawn from as an interpretive lens to interpret and explain the data collected. ANT brings together human and non-human, social and technical factors in the same analytical view (Hassard *et al.,* 1999) and treats everything in the social and natural world as effects or products of heterogeneous networks (see, Callon, 1986, 1987, Latour, 1987, Latour, 1993). Ryan *et al.* (2002) noted that it is appropriate to classify accounting work that draws on ANT within the interpretive perspective (Ryan *et al.*, 2002).

Even though, ANT is a theory, it has some methodological implications. For instance, Latour (1987) suggested that we should study science/technology in action, not a ready made science/technology (Latour, 1987). The researcher needs to arrive before controversies were settled (Latour, 1987). In line with this recommendation, the researcher arrived in the organisation when the reform was on going. Till now reform issues are controversial and ongoing in the studied organisation. ANT also suggested that in order to analyse the actors the researcher has to follow the actors (Callon, 1986, Latour 1987, Lowe, 2000). In line with this recommendation, the researcher followed various actors both inside and outside the organisations that were part of the reforms. NSC staff members that were part of the reforms were interviewed. As discussed in the above section some of the human actors were identified through referral or lead from provided by the previous actors interviewed.

5.6 Summary of the Chapter

This chapter has presented the methodology (which is the process of conducting research) and methods (which refer to the techniques used to collect and analyse data) (Silverman, 1993; Ryan *et al.*, 2002; Moll *et al.*, 2006) adopted for this study. It was argued that the choice of an appropriate methodology depends on the research questions and the philosophical assumptions underpinning the research (Hopper and Powell, 1985; Burrell and Morgan, 1979).

In order to present the philosophical assumptions underpinning this study the Burrell and Morgan (1979) framework was drawn upon. It was argued earlier in the chapter that the thesis can be located within the interpretive paradigm in the Burrell and Morgan framework. Interpretive researchers depend on language, sense making and the reflexivity of actors in understanding social context (Covaleski and Dirsmith, 1990). The perspective "indicates that, in practice, accounting information may be attributed diverse meanings. Such diversity is intrinsic to an emergent social being redefined.

After presenting the philosophical assumptions underpinning the study the appropriate methodology was presented. Qualitative methodology was adopted. This approach allowed the researcher to investigate a phenomenon from its natural setting (Tomkins and Groves, 1983; Hoepfl, 1997). For example, it enabled the researcher to study public sector reforms and MCS in their natural settings. The case study method also provided opportunity for the researcher to connect the reforms and MCS to the context of the organisation (see; Burchell et al., 1980; Hopper and Powell, 1985; Hopwood, 1983; Hopwood, 1987).

In addition, how the research was conducted was discussed. This included; the preparations for field work, how access was negotiated and how the data was collected. The pattern matching and explanations (Yin, 2003) data summary sheet and coding techniques (Miles and Huberman, 1994) adopted in the data analysis were also discussed.

The chapter also highlighted the connection between the Actor Network theoretical framework and the process of collecting data. ANT encourages the researcher to give emphasis to both human and non-human factors in order to understand how facts re constructed (Lowe, 2001). In addition, MCS are viewed in ANT as a technology, and the theory provides the means of analysing how such technologies are constructed.

Having discussed the research methodology in this chapter, the next chapter presents the explanations from the main themes identified in the case study.

CHAPTER SIX: BACKGROUND OF THE NIGERIA STATE COMPANY

6.1 Introduction

The previous chapter presented the methodology and method adopted for the thesis. The researcher believes that reality is socially constructed and can therefore be understood through the interpretation of the meaning of the subjects; thus the thesis was located within the interpretive approach. Public sector reforms and changes in Management Control Systems (hereafter, MCS) are socially constructed and therefore can be understood by relying on the subjective interpretation of the various organisational actors (Burchell *et al.*, 1980; Hopwood, 1987; Ryan *et al.*, 2002). Therefore, in order to understand public sector reforms in Nigeria and their implication on MCS, a case study was conducted in the Nigeria State Company (henceforth, NSC). This chapter examines the background of the NSC in order to understand its current operations and the reforms that took place. The examination draws from the literature and the main themes and patterns that emerged during the data collection and analysis.

The chapter traces the history of the NSC, NSC operations, present structure and the various reforms that took place were examined with the aim of understanding the case organisation context and the reforms that took place from the subject's own perspective.

The chapter is structured into five sections. Following the introduction, the next section provides an overview of the NSC. The origin of the NCC, - which later became NSC and the functions of the NSC are discussed. The subsequent part analysed the various reforms implemented in the NSC. The reforms were introduced in order for the NSC to be more efficient and effective, and in some cases for political reasons. Six reforms were identified and examined. Section 6.4 discusses NSC labour issues. The NSC's employment processes, training and reward and punishment systems were investigated. The last section presents the chapter summary.

6.2 An overview of the Nigeria State Company

The NSC is the national company of Nigeria. It is one of the biggest state-owned enterprises in Nigeria, contributing hugely to GDP, government revenue and foreign exchange. The NSC was created in 1977 from the merger of the Nigeria Commercial Company (NCC) and a sister Ministry. In order to better understand the background of the NSC in general and the reforms that took/are taking place, an understanding of the creation of the NCC is needed. The formation of the NCC is discussed below.

6.2.1 The Nigerian Commercial Corporation

The NCC was set up in 1971 by a Decree. It was created to carry out government policies and ensure its participation in the sector it operates. Prior to the mid 1960s, the Nigerian government participation in the sector was restricted to the collection of tax and rent and royalties (Bezanis *et al.,* 2000).

The NCC was managed by a board of directors and general manager. The board comprised various government top officials (internal document). The NCC was given power to sue and be sued and hold assets or enter partnerships. However, the NCC was not allowed to borrow funds or dispose of any assets without the approval of a supervisory commissioner, and any surplus funds should be disposed of at the commissioner's discretion subject to the Federal Executive Council approval (internal document). In addition, the NCC was not authorised to carry out any activities outside the decree that set it up. Any such activities had to be authorised by the government.

6.2.2 The Nigeria State Company

The NSC was set up by the merger of the NCC[45] and a Ministry by decree. The NSC was created as a public organisation to manage the nation's resources. It was also given some regulatory power. The NSC was empowered to engage in all commercial activities relating its sector, and was to be run by a seven-man board, headed by the commissioner, and assisted by permanent secretaries This structure is similar to the NCC structure; the main difference was that the NSC was granted a little freedom in terms of the contracts it could award, and it was granted limited power to borrow funds (Internal documents).

The duties of NSC were enacted by the Law of Federal Republic of Nigeria. The law set up NSC to supervise, regulate and increase the government's participation in the industry NSC operates. However, there was little regard to NSC commercial purposes.

6.3 Reforms in the NSC

The NSC has undergone many reforms since its incorporation. Some of the reforms were directly imposed by the government. Several NSC staff argued that the reforms had almost the same aims, which were to improve the efficiency and effectiveness of

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[45] NCC was said to have defaulted in its duties.

the NSC and to put some favoured people in key positions. Some staff argued that most of the reforms were fruitless, as they did not change NSC operations and performance.

A total of six reforms were identified; these were:

- Early 1980s reform
- Mid 1980s reform
- Commercialisation Reorganisation and Recapitalisation
- The 1998 reform (organogram)
- Project Alpha
- Post debt relief reform

The evidence shows that the most important reforms were the Commercialisation Reorganisation and recapitalisation of 1988 and the debt relief reforms. Therefore, the two most important reforms are discussed in greater detail below.

6.3.1 Commercialisation, Reorganisation and Capitalisation

Before the discussion of commercialisation, reorganisation and capitalisation reform, the reforms that took place prior to it are briefly outlined. The first restructuring took place in 1981 during the administration of Alhaji Shehu Shagari. This reorganisation was pursuant to Tribunal report. The tribunal reported several irregularities NSC contracts awarded to third-parties, inefficient accounting procedures, and that the NSC structure was too large to run efficiently. The commission recommended the decentralisation and reorganisation of the NSC in order to make it commercially viable. Consequent nine subsidiaries were created and a supervisory ministry was re-established. These subsidiaries were created in order to improve NSC's efficiency, effectiveness, accountability and specialisation.

The second restructuring took place in 1985. This reorganisation was an effort to enhance operational efficiency. According to some staff interviewed, the purpose of the reorganisation was to re-position the NSC for better performance toward discharging the public responsibility vested in it. A senior manager explained this as follows:

> At that time, the NSC could not understand what status it had, because at that time we were always talking of how the government would give us subvention to fund our operations. At a time the government said is high time, we have to look inwards and see how we can have better performance, at least break even. We [the government] do not charge you to make a profit, but at least you should break even. That means we should be able to finance our operations.

Another manager described that as:

> At that time, the NSC was an arm of government without any definite structure. We are like an amoeba with no shape; everybody is reporting to a single Managing Director.

The NSC was divided into five (5) semi-autonomous sectors. Each sector was comprised of different companies. During that period, the NSC top management was very powerful. A manager stated that as follows:

> I was in Port Harcourt then; when the sector head visited us we do go to the airport and lined up for them; they were very powerful. If the sector head likes you, you will be promoted; if not, you get nothing. Good performance was not rewarded, and that made staff care less about performance.

The third reform was commercialisation, reorganisation and capitalisation. This was the major reform that took place in the NSC. A manager noted the following:

> You know the act that set up the NSC did not detail who should do this and that. It was as if there was no framework for working, so people were just happening on whatever job they were doing; you happened on it, it happened on them, or they happened on the job, and you just found yourself carrying it out. Although there were departments and divisions, the functions were not

> clearly defined, the bottom line was not clearly defined, processes were not clearly defined and things were just haphazard.

The above suggests that there was no structure and procedures in place prior to commercialisation. As discussed in chapter four, Nigeria adopted the Structural Adjustment Programme (hereafter, SAP) in 1986, with public sector reforms as one of its important components. In line with SAP reforms the NSC was restructured in 1988 by President Babangida. The five sectors discussed above were broken down into many subsidiaries. These subsidiaries are referred to as Strategic Business Units (hereafter, SBUs), and other Customer Service Units (hereafter, CSUs) were created with the head office as the holding company at a centre and a Group Managing Director (hereafter, GMD) as the overall head. The SBUs were registered as limited liability companies which were allowed to operate independently with their own Managing Director (hereafter, MD) and Board of Directors. The GMD of the NSC during the time of restructuring stated that the main objectives of the reorganisation into SBUs were to reduce central detailed control and allow the SBUs the needed flexibility to optimise their business and operate commercially for the group's best interest.

This reorganisation was described by the head of state as establishing the NSC as a financially autonomous and commercially integrated company. The main implication of this reform was that the NSC was made financially autonomous and also that the NSC was to be provided with the adequate capital for the commercialisation; commercial justification must be provided for investment, and the NSC was expected to pay the government dividend.

Furthermore, an internal reform in preparations for commercialisation began in 1986 with the adoption of strategic planning, which produced new mission (see section 7.3.2). A Commercialisation Reorganisation Capitalisation project (hereafter, CRC) was set up to assist the NSC head office and subsidiaries in spreading and implementing the new mission in 1988. The CRC was also done with the help of consultant Arthur Anderson and Co. Some experienced staff were drawn from the NSC to work with the consultants. The consultant and the staff (that is the reform team) went round the organisation and looked at jobs at the NSC; they received input from the staff who were doing the job and those who know the job, and established what the NSC was doing wrong, and how it could be corrected and improved. A thorough investigation and identification of the root causes of some problems and the possible solutions were carried out. A manager reported:

> We did the reform but to implement it became the problem. The blueprint was done but implementation is another thing.

At the expiration of the Arthur Anderson contract, the CRC team was dissolved and the consultants were asked to leave. Many staff interviewed suggested that the reason for not extending the contract was that the NSC felt that they had spent more than enough money.

However, NSC management wanted what the CRC had done to continue, so they asked the staff who had worked with the consultants to remain and form a unit Consultant Unit (hereafter, CU); the most senior NSC staff in the team was given the mandate to coordinate the unit and continue with CRC ideas. The CU produced many initiatives and later it served as an in-house consulting unit, in which all SBUs and other units could consult in areas where they were having problems.

CRC was not fully realised as the commercialisation and recapitalisation aspects were not achieved. The government grasped on NSC affairs, and operations continued and the NSC was not recapitalised.

6.3.2 Project Alpha

Project Alpha was the fourth reform that took place in NSC. Before discussing Project Alpha, an overview of Organogram is presented. Organogram was the forth reform that took place in the NSC. The reform restructured NSC into six Directorates in 1998. The directorates were headed by Group Executive Directors (hereafter, GED). The aims of the organogram were to identify the staff requirement of NSC, flatten its structure in order to enhance efficiency, accountability and communications, introduce cost measures and outsource some of its activities (internal documents). In 1999, Obasanjo returned to power as a civil president and revived economic reforms with public sector reforms at the key element. The administration reduced the NSC directorates described above from six to four, and set up a Committee in 2000 with a view to restructuring, liberalising and privatising some of the NSC SBUs (Internal Document).

Project Alpha was introduced in 2004, during Obasanjo's second term in office. [46] According to the NSC GMD:

> The project was in response to the federal government's mandate to the NSC to achieve an aggressive sustainable growth agenda

The Project was introduced with the aim of restructuring the NSC into a World-Class Company like its peers. Several interviewees argued that the aim of Project Alpha was

[46] Note that presidential approval was given before the project was implemented (various staff).

to restructure the NSC into a holding company with subsidiaries as a distinct entity, and to focus more on commercial activity and gradually exit regulatory activities.

The NSC's state of affairs prior to Project Alpha was described by several interviewees as having been politicised without focus, accountability, capital, commercial mindset/execution and enabling processes. The GMD described the situation thus:

> …Many of our business processes are still manual and archaic; NSC's roles are not completely clear and approval limits/ controls are cumbersome and actually slow down the pace of work. On the people's dimension, I will like to see a stronger performance in accountability. In addition, there has been a serious deterioration in capability and capacity of our people and hence their productivity (NSC, 2004, p. 7).

Like CRC, Project Alpha was done by consultants in collaboration with NSC staff. Two consultants, Accenture and Shell Manufacturing Services (SMS), were engaged for the project. The Project was introduced as follows: it was first discussed by the top management. Following the discussion, a memo was issued to all staff informing them that the NSC had decided to embark on the project. Staff who were interested in working with the project team were asked to apply. Following the application, the staff were asked to sit an examination, and the successful applicants were invited for interviews. Those who passed the interview were invited to work with the consultants.

Project Alpha was done in two phases; the first Phase was the diagnostics phase, and lasted for four months. During this phase, the project team carried out a diagnostic assessment of the NSC situation, based on its mission, vision and oil industry best practices (NSC document). The NSC processes, people and technology were analysed; gaps were identified and ways of addressing the gaps were proposed (Internal document). The second Phase was the implementation phase and was scheduled to last for 20 months. This phase was designed to address the findings of the first phase, recommend solutions, designed and implements new systems, policies, processes and staff training required (Internal documents).

The project team carried out enlightenment seminars, in-house publications, publications in the newspapers and placed several notices on various NSC notice boards. The consultants interacted with staff to find out what the staff problems were and what should be the preferred solution. They identified what was called ‘quick wins’ and management gave them approval to start implementing some of the quick wins, especially the less complex ones, while the more complex problems were addressed at head office.

The consultants discovered that the NSC had no culture, did not know what its core values are and its operations were not being done within a commercial practice. For example, in Information Technology, a member of the NSC staff had to reach a certain level before the organisation put a laptop or desk top on his/her table. Therefore, the argument of Project Alpha was that everybody should have at least a desktop on his/her table.

Moreover, performance management and training were identified as one of the weaknesses of the NSC. Consequently, Project Alpha introduced career advisers, new methods of performance management, job evaluation, and job description. A new organisational structure was proposed but is yet to be implemented. An electronic market place was created in which the NSC can advertise and get contracts as well. Other initiatives include MIS, Performance Agreement Contracts, Service Level

Agreement; NSC new Culture Brand, Performance Measurement System and Human Resources connects. However, implementing these initiatives became a problem. Further initiatives regarding management control systems are discussed in section 7.4.

With regard to the subsidiaries visited, Project Alpha had not really worked on the first subsidiary the researcher visited. At the beginning, the subsidiary was looked at, but when the issue of privatisation[47] came up, its reforms were de-emphasised. The reform concentrated on the subsidiaries that were to remain with the NSC. The subsidiary managers interviewed stressed that further, as the Project Alpha had not introduced any change in their operations, there are no well functioning computers; computers are more a status symbol, and there are no functioning photocopiers.

In the second subsidiary visited, Project Alpha tried to restructure the organogram. According to many staff interviewed, the consultant's main concern was that the way the subsidiary operates under the departments is not right. They proposed that the subsidiary should operate under its assets. The consultants enlarged the size of the subsidiary management, from having two Executive Directors (EDS) to five EDs.

In the third subsidiary visited by the researcher, a manager who happened to be part of one of the Project Alpha teams explained his team assignment as designing appropriate tariffs for the subsidiary, as explained below:

> I was sent as an accountant to work with the team. And our involvement there is to supply information of the costs of our operations - both capital and operations expenditure - all with the view to work out appropriate tariffs to be charged on our services.

[47] The subsidiary was earmarked for privatisation.

The idea was that the federal government was going to open up the control and operations of the subsidiary, so that every other person who wanted to use the subsidiary's facilities can do so; hence, the team was asked to propose a commercial tariff, irrespective of whether it is the NSC or any other third party: in other words, a commercial tariff.

Project Alpha also looked at the third subsidiary supply distribution; as the NSC pays high demurrage. Project Alpha looked at what causes this high charge and inefficiency and what could be done to reduce the costs. In addition, the team looked at tools that could aid management in decision making and cost reduction in general (see chapter seven). However, the initiatives for the subsidiary were not implemented; some were cut off mid-way; some pilot implementations were tried, but they too were not successful. Furthermore, the subsidiary staff argued that the project failed to reach those staff in locations outside it headquarters.

Overall, the evidence suggested that Project Alpha had not improved NSC activities. Many of the NSC staff interviewed argued that the full value of Project Alpha would not be realised until its recommendations had been fully implemented. They acknowledged that the implementation of these recommendations as a major challenge to NSC. This was confirmed by the consultants interviewed. The consultant explained that they are not allowed to work for the Nigerian government; they took the NSC job because it is a company. However, they found that the NSC culture is different from that of private organisations, which results in its working in a different way. They argued that decisions were often not taken or executed by the NSC. For instance, the consultants discussed and agreed on issues with the management but the actual implementation of those issues is another matter. Most of the time, nothing is being implemented.

However, some staff argued that the project did not carry them along and the change was fast. According to the interviewees, the project did not address the NSC's core problems, which is a free hand to run the business; rather the project created a feeling of discomfort among them. Many staff were retrenched and new hands employed. According to one manager, about nine thousand (9000) staff was retrenched as a result of the project. Many of the interviewees questioned the criteria used for the exercise, and also those of recruitment. A manager commented as follows:

> They will say they [referring to the consultant] have interviewed new staff but that is a lie; they come with their own agenda, they will end up recruiting their own staff and giving them higher positions … They will come and say we need group recruitment and they know the quality; they will sit down and draw up fantastic criteria for recruitment, they will look at everything but along the way they smuggle their own people in, claiming that they have all those qualifications and at higher posts, so that they will continue to give them the jobs, and they will continue to survive. Isn't it a Third World? These are some of the problems; it kills the spirits and makes a lot of us not want to work. It makes a lot of us believe that these people come with an agenda.

The opinion of some interviewees was that the Project was taking on the ideal situation, which is not there in NSC. One of the managers even challenged the researcher to ask anybody to show her an income statement. He argued that nobody can present it, because it is not a priority. The manager emphasised the point further:

> As far as I am concerned, what is aspired by project Alpha is a dream; whether we want to actualise it or not is another matter.

It was argued by some managers that the project did not put pressure on NSC management to implement some vital changes. For instance, in the NSC one has to be a manager before one can get a laptop/desktop. The staff argued that the consultant did not make it a requirement to the NSC management for every member of staff to get a laptop/desk top and network the entire organisation. They argued further that the consultant did not tell management this is what to do, for example, train people and be vertical or horizontal; what they did was produce volume of templates.

Some staff even admitted to hating the project. They argued that the NSC had wasted money on what the staff themselves can do, as what the consultant had delivered was not significant. However, some argued that the consultants, being an external party to the NSC, acted as a third eye and also gave the project some credibility; if this had been done by internal staff, such credibility would not have been achieved.

The comments of people outside the NSC were sought with regard to the project's impact on NSC performance. A response from one interviewee was as follows:

> My own view is that NSC performance has not changed as a result of the transformation; in fact, we see the performance changing negatively. [staffs are transferred to different subsidiaries]We see those people in meetings; they don't know what is happening and they don't want to learn. Those staff deals with other staff from [Multinational Corporations (MNC)] that had held the same type of portfolio for 16-17 years. You will see the MNC people trying to deal with somebody that came just two months ago, so obviously he has more knowledge over him.

Several people interviewed outside the NSC were of the opinion that NSC reform had not met the government objectives. The transformation was criticised for having no mission, vision or objective and not being value driven. It was seen as a waste of money; large amounts of reports had been submitted but nothing had been implemented. An external auditor stated the following:

> Anyway, we were here when they talked about it [Project Alpha]; some of them staff went to Abuja to enjoy themselves, and came back with theories and theories. As far I am concerned, I have not seen anything that Project Alpha has brought into the system. Nevertheless, the people who introduced it will tell you about one thousand and one changes that have taken place.

It was argued by some managers that the reform has not addressed all aspects of the NSC business; Project Alpha and the other reforms do not touch the details of what is happening with foreign partners. Those components were assumed to be on the right path, doing very well. It is only those areas manned, controlled or being governed by Nigerians that the reforms are applied to. The operations with partners are where the whole business is, and according to staffs where the transformation is needed. Everywhere that the Nigerians are working is where the reform is looking at, but the one the white people are handling most of the time is assumed to be satisfactory.

Nevertheless, a number of staff argued that they do not blame the reforms or the consultants for that; even concerning their processes and procedures, it is not that they do not have them, but that NSC staff does not look at them. Processes and procedures are ignored; nobody is bothered or cares about them.

A manager described the situation as follows:

> All the reforms are lies. They did not bring anything.

A politician gave a general view about reforms in Nigeria, as follows:

> I believe there was no reform in Nigeria. Nigerians are selfish and they don't want any reform. There are groups of Nigerians who are against any reform that may affect them, so they try to undo the promoters of the change.

Project Alpha came to an end in August 2007. The NSC management asked the consultants to close their books and leave. According to some interviewees, the consultants were asked to leave because they were not operating as fast as they were supposed to (the consultants were not achieving targets). Initially, the consultants were not monitored. Towards the end of the project, the management set up a team to manage the reform and the consultants. The situation with the consultants was described differently by some managers as follows: there was a difference in understanding between what the consultants mean by implementation and what the NSC management thought. For consultants, implementation means designing templates and handing them to the NSC, whereas the NSC thought it was the actual implementation. The NSC management argued with the consultants that this was not what they employed them to do; the consultants replied was that this was what they were supposed to do, and if the NSC wanted them to implement the recommendations, then a new contract would have to be negotiated. The NSC refused to renegotiate a new contract, and the project came to an end. Furthermore, a new government came to power and a new GMD was appointed. The aim of the new government was to restructure the whole industry.

The responsibility of implementing the project Alpha imitative was handed over to Total Quality Department. The department took over the implementation in the head office and passed on implementation in the subsidiaries to the some managers situated in those subsidiaries.[48]

In summary, the various NSC reforms were viewed by many staff as an attempt to achieve the same thing. One manager argued about CRC and Alpha as follows:

> To me CRC and Alpha is just the nomenclature; it is just a change of name because I was one of the commercialisation committee. I just keep asking myself what is new?

The reforms were both made with the use of consultants. An interviewee, who happened to work with the consultants during both the CRC and Project Alpha, stated that:

[48] Note that the managers reported to their respective CEOs and collaborated with department in head office

> The CRC did a better job than project Alpha, the white consultants. We deal with them better than the Nigeria base Accenture. During the CRC, the NSC staff has more power, but for Alpha the consultants were given more authority than the staff.

The last reform identified the post debt relief reform. This is a radical reform which targets the entire sector NSC operates in. The reform aims to divide the NSC into five separate companies.

In summary, as at the present time, the NSC is still undergoing reforms. As noted above, the purpose of all the reforms can be summarised as trying to make the NSC more commercially oriented, also for political reasons. For most of the time, whenever there is a change in government in Nigeria, NSC management is also changed. The next section presents an overview of NSC labour issues.

6.4 An overview of Labour Issues in the NSC

In this section, the NSC employment process is analysed. The NSC training process, remuneration, reward and punishment system are illustrated. Employment in the NSC is a big problem as it has to be approved by the Nigerian government. During the economic crisis, the Nigerian government placed an employment embargo on all federal government ministries and state enterprises; thus, employment is one of the problems identified by project Alpha. A manager described that as follows:

> One of the issues Project Alpha discovered is that our structure is like *kwashiorkor*[49]*;* there was no employment for 12 years, so the top is heavy while the lower staff levels are very, very thin.

In other words, the manager meant the top level of the organisation is saturated with staff while at the lower level there was a shortage of staff. The NSC downsized from

[49] Kwashiorkor is a disease cause by lack of protein that affects children. It results in the child having a big upper body and a thin lower part.

seventeen thousand (17,000) to eight thousand (8,000) staff. Later, around two thousand (2,000) new people were hired. The new hired staff included experienced and graduate trainees for succession plan.

The NSC employment process is as follows: First the NSC seeks approval from the president or the supervising minister - whoever is responsible. Following the presidential or the ministerial approval, the NSC places an advertisement in national daily newspapers. Once the applications have been received, they are looked at and a short-list is drawn. The short listed people are called for aptitude tests. The short-listed candidates are notified through publishing their names in different newspapers. Sometimes, they are contacted by email and mobile phones. After the aptitude test, successful candidates are called for interviews. Following the interviews, the NSC draws up lists of prospective candidates who are eligible for employment. The list is sent to the president or the minister for his approval, and when approval is granted, employment letters are dispatched to the successful candidates.

During the recruitment, the NSC is mandated by the Nigerian government to consider what is referred to as the Federal character (Quota system), and also gives more priority to people some part of the country. In some instances, the NSC engaged consultants to carry out the recruitment (after getting the approval from the federal government to go ahead and recruit).

However, only NSC head office can recruit staff. The SBUs management were not permitted to recruit; they can recruit only National Youth Service Corps Scheme

(NYSC)[50] and Industrial Trainees (IT) staff.[51] Several interviewees attribute some of their problems to the manner in which the NSC recruits its staff. A manager reported the following:

> In Nigeria and NSC we do things differently; for example, when we are employing, we don't look at merit. All we do is massive employment, without regards to what we need.

The general practice in the NSC is to train its staff at least one week per annum. However, that revolves around availability of funds, as the NSC cannot afford to train everybody. Project Alpha introduced a training needs analysis form. The form is attached to individual appraisal forms. Each individual, together with his supervisors, is asked to identify the kind of training she/he needs and write it down on the form. The forms are sent to the head office Group Learning Department who identifies and allocates relevant courses. The process is the same in the SBU: they send the forms to the Group Learning Department; a manager in the SBU described the process further:

> Those staff that the Group Learning Department did not attach any relevant course to, we look at their training need here at our level and assigned courses to them.

These training courses are carried out within and outside Nigeria. In addition, the NSC head office and the SBUs organise local courses. However, a member of staff in SBU described an incident regarding training as follows:

> There was a time when HR sent us a questionnaire about what is done well, what needs to be improved and areas in which we need training. When I filled mine in, colleagues told me, you are supposed to know all of these things; if not HR will think you are not qualified enough. I told him no, I want them to train me, so when the time for training came, they called me many times and those same colleagues started saying that I had lobbied for it, I told them no. I had told HR what I needed and they provided it for me.

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[50] NYSC is a compulsory national scheme on all Nigerians under the age of thirty who have graduated from universities and polytechnics.

[51] Within the student programme, the researcher was given an IT status during the data collection; this enabled smooth entry into the organisation.

However, in the NSC, to train staff is one thing; to utilise what was gained from the training is another. One of the politicians interviewed noted the following:

> In the NSC, for example, staff are sent abroad for training. But by the time they come back, they will get promoted and leave the place the training is meant for, meaning the training has not benefited the NSC or even themselves.

This was confirmed by an interviewee in one of the SBUs, who had attended training on their new MIS when he was part of the team implementing the MIS. The staff explained that after the training he was transferred; thus he never used the MIS.

Furthermore, training in the NSC is political. A manager explained that as follows: there was a training course assigned to his role and, as the person on that role, he was supposed to undertake the training. However, his immediate boss did not like him, and he was not sent for the training. The training was later allocated to the person acting on his behalf while he was on annual vacation.

The NSC takes good care of its staff, as many staff interviewed believes their remuneration package is very good. In terms of rewards, the NSC had what was called the Chief Executive Merit award and a yearly increment. With regard to punishment, supervisors are empowered to issue queries. Any member of staff who has been queried three times is issued with a warning letter; that may also affect his/her promotion and can lead to termination of employment.

6.5 Summary of the Chapter

This chapter presents an analysis of the NSC. The origin of the NCC which later became part of the NSC was described. The NCC, later the NSC, was the public sector organisation through which the Nigerian government participates in the sector

NSC operates. The analysis shows that, although the NSC was charged to engage in all activities related to the industry it operates, it has not yet delivered on that. For most of the time, some of NSC SBUs are down; its company production is insignificant in comparison to the overall production of the sector. Various restructuring had taken place in order to make the NSC more efficient and effective, and also for some political reasons. These restructuring processes were analysed, and revealed that economic reforms and changes in government had triggered all the reforms and that most of the reforms had not reached their logical conclusion. NSC reforms were carried out with the help of consultants; when the consultants left, the reforms suffered some setbacks. CRC and Project Alpha initiatives were not fully implemented; some were abandoned.

The structure of NSC and its labour process are illustrated. Even though NSC was established as a public enterprise, the analysis revealed that it is tightly controlled by the government. Employment and appointments are decided by the government.

The next chapter presents the NSC accounting systems and changes in MCS.

CHAPTER SEVEN: ACCOUNTING SYSTEMS AND ACCOUNTING CHANGE IN NSC

7.1 Introduction

The previous chapter provided an overview of the history, operations, reforms and the present structure of the Nigeria State Company (hereafter, NSC), the case study of this thesis. In this chapter, the NSC accounting systems in general and Management Control Systems (hereafter, MCS) in particular are analysed. This analysis draws from the main themes and patterns that emerged during the data collection and analysis. The data was manually sorted and the accounting systems that kept re-occurring were identified. This chapter is important in order to understand the NSC's MCS and their changes from the users' (that is, NSC staff and management) own perspectives. What the users perceived as MCS, how they work and what hinders or aids how they work was analysed. At the same time, important attention was given to the new MCS change, the process of the change and its implementation.

The remainder of the chapter is organised into four sections, as follows. Section 7.2 analyses the NSC external accounting process. The legal requirement for the NSC to produce financial accounts, and the actual practice is examined. The subsequent section examined the NSC internal accounting processes. The MCS employed and how they are utilised are all discussed. Specifically, the NSC strategic planning and budgeting processes is analysed. Section 7.4 examined the NSC MCS change initiatives and implementation. The NSC has introduced various recent MCS innovations and these were all examined. The final section presents the chapter summary.

7.2 External Reporting

The Group Accounts Department is responsible for preparing the NSC head office final accounts and consolidating the Group Account. Each subsidiary (hereafter, SBU) prepares the financial statements and gets them audited by their auditor before submitting the reports to the head office for consolidation. Customer Service Units (henceforth, CSUs) do not prepare their financial statements as they were normally considered as part of the responsibility of head office. All SBU assets belong to the NSC. The SBUs pay the NSC leasing fees on the assets.

The NSC, being a state-owned enterprise, is mandated under section 85(2) of the Constitution of the Federal Republic of Nigeria 1999 to prepare an annual account. Section 85(2) stated:

> The public accounts of the Federation and of all offices and courts of the Federation shall be audited and reported on to the Auditor-General who shall submit his reports to the National Assembly; and for that purpose, the Auditor-General or any person authorised by him in that behalf shall have access to all the books, records, returns and other documents relating to those accounts.

In addition to the above section, the act that set up NSC required the corporation to prepare, audit and submit its accounts.

Furthermore, section 331 of Companies and Allied Matters Act 1990 makes it compulsory for all companies operating in Nigeria to keep proper financial records. However, despite all this legislation, the evidence suggested that the financial statements of the NSC are prepared late. Several staff recalled a period when their financial statements were about eight years in arrears. A manager recalled an instance as follows:

> I remember vividly in 1991 when the government was trying to take some strategic decision for public enterprises, and the NSC could not present the

> current accounts - both financial and whatever. Then almost everybody was in trouble, running up and down.

This delay in producing financial accounts led to the introduction by the NSC of the SUN system.[52] However, the introduction of the SUN accounts did not completely improve the financial reporting system. For instance, in some of the subsidiaries, the SUN account system is not linked to all its offices. Each department has its own database and is supposed to back up its monthly, quarterly, half yearly and annual data and send it to their subsidiary head office for consolidation. This results in delaying the preparation and production of the subsidiary financial accounts, and the NSC's group accounts as well.

An external auditor to one of the SBUs stated the following:

> I recalled five or six years ago when we came for the audit; we had to do about three or four years' audit in which they were not doing, but the audit now is on a yearly basis; for example, the one we are doing is for the year end 2007. For the past six years, we have been doing it on a yearly basis and there is improvement on their record keeping and management of accounts as a whole.

However, when the researcher tried to link the improvement of financial reporting with the implementation of Sun Accounts, the external auditors view was that the Sun Accounts had been there for a long time, but its management had not; they argued that there were no proper hands to manage the Sun Accounts. The improvement in the recent financial reporting was attributed to better hands managing the Sun Accounts and audit instance.

Financial accounts, or rather accounting in general, are not given much importance in the NSC. A manager noted the following:

[52] The adoption of Sun Accounts system is discussed in section 7.4.2

> Actually here the managers don’t know you because you don’t pay them by cash or cheque. The only accountant who is working is the one that pays them. As far as they are concerned, those of you who are in charge of the preparation of annual accounts are not useful. They don’t understand the importance of the annual accounts and other accounting functions. The accounting function is given less importance than other functions. Accountants are just pay masters.

Several accounting staff described the constraints they face owing to the lack of adequate staff. For example, in one of the SBUs the researcher visited, the Management Accounting department was supposed to be manned by six (6) personnel, according to the SBU structure. However, the department was manned by only three staff and at some point by only one officer. A manager described that thus:

> All the staff you see here are not full staff; they are Nation Youth Service Corps (NYSC) and Industrial Trainee (IT), so how can you run a department like this? In the NSC everybody wants to remain in head office; the head office is jam packed with no job to do there. Our management don’t value accounting, or management accounting. They don’t care whether we are staff or not.

It was believed in the NSC that their annual accounts are not for public consumption. There were many reports regarding the non availability of NSC financial accounts in the newspapers. A manager explained that in 2005, when the Nigerian government became committed to accountability to the public, the NSC felt that there was a need for them to start publishing their accounts in the newspapers, and not wait until someone come and tell them to start doing so. Hence, in 2005, the NSC decided to print an abridged statement for public consumption. However, the publication of the accounts was viewed by another group of staff as improper. One manager argued the following:

> Everything here is political, so you have to be political as well. How can you publish an un-audited trial balance in the newspaper and go out and shout that we are making money. People will say, yes, the NSC is making money without taking into consideration capital spent to earn that revenue. If what is given to us is given to a private company they would have made more than the profit we had. They do publish un-audited accounts.

The above analysis shows that in the NSC financial reporting is not given the priority it should be given. The preparation and auditing of financial accounts is not perceived as an important aspect of the business.

7.3 Internal Reporting

7.3.1 Costing System

The NSC does not have a structured cost accounting system. Some accountants with whom the researcher interacted were of the view that the NSC is not a factory, hence there is no need for a costing system. Also, concerning the way the NSC operates, some of the subsidiaries, depend on processing fees as their source of income. The processing fee is determined by the NSC and is not based on cost of production.

However, another group of staff argued that not having an adequate costing system is a major problem, as most of the time determining NSC operations costs is very difficult. At the time of the research, a member of the management staff explained that the accounts department is required to produce a corporate policy on cost allocation, which they have yet to do. The staff questions the basis on which their planning department allocates cost, because there was no policy in place. The researcher asked some planning managers about how they allocate costs, and the reply received was that they do not allocate cost. Instead, when each SBU/CSU brings his/her own costs, the planning department checks that with their own prices. If there is a discrepancy, the head of that SBU/CSU has to justify why their cost is higher than their own. They argue that their department is like a check.

In the NSC, rules and politics dominate timeliness, efficiency and cost effectiveness. An auditor described this further as follows:

> Everything is being funded by the head office. At the end of the year the SBU prepares and sends their budget to head office. The head office approves any amount they feel like approving; they just make a blanket approval. It is now up to the management to be able to say: okay, this is how the cost should be applied. Also, some of the costs are outside the control of the SBU management, like salary and wages. The staff strength is determined by the head office. The head office can send and transfer any staff, as they want. Hence the SBU cannot control this cost, so cost management is not properly applied here. It is not really here.

What most costing units in SBUs do is capture cost; a member of the costing unit staff described this as follows:

> We are not engaged initially - for example - to look at whether what we are doing is profitable or not. We do not do the analysis; engineers do the costing, we are just being asked to pay. We don't take part; engineers and top management do that.

Costing is not given priority in the NSC; this can be confirmed by an example given by an interviewee from NSC regulators as follows:

> We attended a meeting with one of NSC's MD. When asked about cost of producing one of NSC's product he couldn't answer us; he said he would find that out and get back to us. He couldn't even tell us the industry's average costs of production.

In summary, most of the interviewees were of the opinion that the whole NSC cost system is not scientific. However, the researcher found out that one of the SBUs visited has what they called Activity Base Costing (hereafter, ABC). The SBU's ABC is discussed in the next section.

7.3.2 Planning and Budgeting and Performance Measurement Activities in the NSC

In the NSC, planning and budgeting is done jointly. According to several interviewees and documents analysed, the NSC introduced strategic planning in 1986 and was among the pioneer companies to have adopted it in Nigeria. The strategic planning was adopted following the Nigerian government's adoption of the Structural Adjustment Programme (SAP) with public sector reforms as its main elements (Internal Document) (see chapter four for discussion on SAP adoption in Nigeria). It was introduced in preparation for NSC commercialisation, in order to reform it towards becoming an efficient, accountable and a result oriented organisation. Arthur Anderson and Co (consultants) were engaged for the process. The initial focus of the strategic planning was on efficiency, profitability and prudent management. A strategic plan was drawn for all Strategic Business Units (hereafter, SBUs) identified within the NSC, and a new mission was formulated.

A Commercialisation, Reorganisation and Capitalisation (Hereafter, CRC) project was set to provide expertise and help for the NSC management and the SBUs to implement the above mission. CRC was discussed in section 6.3.1.

The implementation of strategic planning lasted for two years. Workshops, consultation, seminars and training were carried out to educate staff on the concept. The NSC strategic planning involved examination of the business environment, identification of areas of strength and weaknesses, business mission development, objective settings and strategies to achieve them. Staff that witnessed or were part of the strategic planning implementation noted that, prior to the introduction of strategic planning, there was nothing really like planning in the NSC. What is done is the budget and there was nothing to link the budget to performance. A manager commented as follows:

> It was when we started the strategic plan that we began to look at the whole picture, and the totality of what we are doing, because now when people get

> the budget, every budget is tied to a performance; when you spend the money you have to show the product of the money. Strategic planning brought in accountability.

The NSC's strategic planning is done top down. The cycle starts around May each year. During that time, the NSC's top management, which comprises the Group General Manager (GMD), Group Executive Directors (GEDs), subsidiaries Managing Directors (MDs), and Group General Managers (GGMs), hold a retreat. During the retreat, the top management looks at the previous year's business plan and performance, the current year's plan and performance and how far the NSC has achieved its mission and vision, and the lessons learnt as well as the difficulties and opportunities. In addition, the global and domestic business environment is reviewed. The Corporate Planning and Development Division (hereafter, CPDD) are the facilitators of the retreat; CPDD makes presentations and puts what top management has discussed in writing. At the end of the retreat, whatever the top management has agreed upon becomes the planning objectives, which become the medium term strategic direction of the NSC. These strategic directions are further articulated by the CPDD into top-down directives and three-year corporate planning guidelines for the entire NSC. The CPDD then holds a planners' meeting to which all planners and planning managers are invited from all CSUs/SBUs and are informed about what top management wants to do in the following year. Budget circulars are issued and the planning managers are asked to go to back to their respective CSUs and SBUs and work on the plan, how they are going to do it, what they need and the challenges anticipated.

In the SBUs, the planning managers prepare the strategic plan and the strategic direction of their respective SBU, and draw the budget in line with the strategic direction and plan. SBU planning department obtains inputs from all the various departments. Each department states its strategic plan and direction for the year and, in line with that, states what would be needed to achieve that. In other words, each department must state what they need in order to achieve its plan in monetary terms. By the time all the departments submit their strategic plan and budget to the Planning and Budget Monitoring Department (hereafter, PBMD), the PBMD looks at whether the departments have abided with the projections given to them, collates everything and produces a consolidated budget for the SBU.

The PBMD organises a budget defence session for each division. Every division (all departments under a division) is invited to come and defend its budget. The defence is conducted in the presence of the divisional head. After the divisional budget defence, the PMBD organises another general budget defence session to which all Heads of Departments (HODs) are invited, regardless of their division; the Managing Director (MD), Executive Director Services (EDS) and Executive Director Operation (EDO) will all be present. The PBMB presents the general picture of the budget to them for their assessment, criticism and contribution. After the general defence, the PBMD takes all observations into consideration and reworks the budget. The redrafted budget is then presented to the Management Executive Committee (MEXCOM); if they are satisfied with it, the budget is then sent to the CPDD for consolidation into the NSC group budget. This procedure is similar to that of the CSU.

The CPDD, after receiving of all the SBUs/CSUs budget proposals, organises a budget defence session for every directorate, to which all the SBUs/CSUs under the directorate will be invited; for example, Exploration and Production Directorates, all

CSUs/SBUs under those directorates, the GMD and the directorate GED will be invited, as well as Managing Directors (MDs) and Group General Managers (GGM)[53] who have to defend their budget to the CPDD and top management. Following the defence, the CPDD compiles the plan and budget of all SBUs/CSUs into a single plan and budget of the entire NSC. The consolidated budget is then presented to top management by the CPDD for input, consideration and recommendations for the board approval. The top management input is considered, the budget is redrafted in line with that and submitted to top management again for their approval and passage to the NSC board for further approval. Once the budget is approved by the NSC board, it is then passed to the Minister or the President depending on who is in charge for final approval. The planners in SBUs and CSUs report to their MDs or GGMs, not to the CPDD, although they do send various reports to the CPDD.

NSC operates a three-year rolling plan. The plan is a three-year long term and one-year short term. The budget is divided into two: revenue budget and expenditure budget; the expenditure budget is further divided into two: capital and operation expenditure. The capital expenditure is also divided into movables and major capital projects.

The NSC's capital expenditure budget is prepared annually along with the operations budget. Because of the nature of capital projects, the project cost is spread over years, with the cost budgeted for on a yearly basis. Provision is made for the phase of the project to be done every year. In addition, every capital project must have a justification package.

[53] Both SBUs and CSUs are headed by Group General Managers (GGMs), but in SBUs they are not called GGMs, but managing directors.

However, some groups of managers have argued that the manner the capital budgeting is done in some cases leads to capital projects being abandoned, especially when the cash flow is negative. Further, in the case of capital expenditure, no overrun is permitted, whilst for operation expenditure, expenditure is permitted, even if the budget is not provided for.

7.3.2.1 Budget Monitoring

Once the budget is approved, the CPDD passes the approved budget to Group Finance and Accounts Department (hereafter, GFAD) in head office and Finance and Account units in SBUs for implementation and monitoring. The budget section of the Group Budget and Project Department monitors the operations and the movable expense section of the budget, while the Project Section of the Group Budget and Project Department monitors the capital projects part of the budget. Although the budget section is supposed to monitor the revenue section that has not been done.

Monthly budget performance reports are produced and circulated to management for guidance and control. In the case of the SBUs, HODs are responsible for their department budget and the finance managers are responsible for the monitoring and implementation of the SBU budget. Furthermore, in each SBU, there is a budget department in which there are budget officers who monitor the budget daily. These units prepare monthly and quarterly reports which show the balance of each units/section budget. The copies of the reports are sent to the user departments and the head office. This type of reporting is similarly done in the head office. The budget department in the head office prepares a monthly performance report and distributes it to the budget controllers. In addition, the department prepares and distributes the NSC group performance report (the report is a consolidation of reports sent by SBUs). The group performance report is circulated to all the top management. According to the head of the unit, the report is like the management account reports.

The CSUs and SBUs were expected to comply strictly with the budget. However, recently a plan review session was adopted, during a certain period of time when the budget was being reviewed. Furthermore, in some cases an approval can be sought for from the management to move funds from one section of the budget to another section. However, this is allowed only within the same budget head.

In the NSC, an approved budget does not mean that the expenditure/project automatically qualifies for funding. Before any fund is released, it has to be budget cleared (part of budget monitoring), and there must be available funds (cash flow availability). The user department has to apply for the money, justify the request and obtain approval. Two documents are used for budget clearing: a "Financial Control Slip" for operations expenditure and "Authority for Expenditure (AFE)" for movable assets and projects. The slips are filled in by the user departments and signed by an authorised person. Upon receipt of the forms, the budget officers check the form to make sure it has fulfilled all the requirements; for example, there must be a budget for the requirement, the person that signed the AFE or the financial control slip is authorised to do so and the amount signed for is within his/her limit. If all the requirements are met, authority is given for the expenditure. This procedure is similar in SBUs. The forms have to be completed and passed to the finance and accounts department before payment is released, but if what is requested is above the SBUs' MD limits, the request is forwarded to GGM CPDD for processing. Some managers interviewed expressed their dissatisfaction with this lengthy procedure; they argue that this leads them to lose competitive advantage. A manager commented as follows:

> In the case of NSC, the budget controls you; instead of the budget being used as a guide, it is a constraint.

In the SBUs, the Finance and Account department keeps what are called note books for each budget head and sub-head for budget monitoring. Once the budget is approved, the Budget Control department of the Finance and Account department disburses the amount to all the budget heads and sub-heads. All SBU budget disbursement requests have to be budget cleared by the Budget Control department, and the note book is updated during the process. In some SBUs, a computer application is used together with the note book. In addition, when a budget is exhausted, the budget control department writes to management seeking approval to overrun the budget; if approval is granted the budget is overrun, but when approval is not granted the expenditure is stopped.

In addition to accountants monitoring the budget, the planning managers also do monitoring. The planning managers monitor the budget to make sure that the funds allocated to SBUs/CSUs are used for the purpose budgeted for. In some cases, the planning managers visit some SBUs/CSUs to see what is on the ground. Planning managers also prepare monthly and quarterly reports.

7.3.2.2 How the Budget is Actually Prepared

In the above section, the NSC planning and budget cycle was discussed. Looking at it from the outside, one may assume that proper internal controls are in place in the NSC, but that is not the case. This section aims at describing how individual managers prepare their plan and budget. Several interviewees described the budget as a matter which is not taken very seriously. The budget is not a true picture of what the units/sections/departments want. A manager explained this as follows:

> What we do is we exaggerate the budget because we know the planners are going to cut it. Like if a unit needs ngn5million, they will budget for it as ngn15million, the planner will cut ngn5million, and the unit will end up with ngn5million excess of what they need.

Another manager explained the above practice further:

> What we do during the budget preparation is to add about 5% of the previous year's budget to the current budget. For example, if - let us say - our actual budget is 50% of the planned budget, when we are preparing next year's budget we do not cut our budget by 50%. This is because if - let us say - the following year we want 70% we cannot explain that to management, so what we do is to keep that budget, even if it is in excess of what we need; we cannot cut down the budget.

The reason for not reflecting the true figure of the budget was explained by another manager thus:

> You know that in a government establishment, even if you said you want to be very prudent, for not even spending the budget as expected or you want to even save some cost, it is to your own detriment for the following year because they will say, Ah - we budgeted 30million for you but you used only 5million, so next year they will now say please just take 6million. So you see, ah ha for that logic.

Some managers explained that the NSC budget places more emphasis on expenditure than on revenue. The budget is done without thinking about revenue; expenditure is not linked with revenue. A manager explained this further:

> Here in this SBU the engineer does the budget without thinking about funds. The budget is not focused on what we are to generate or what is available for investment. It is just about we want to produce so and so products; how we fund that is another thing entirely.

Another middle manager confirmed the above problem as follows:

> I have been in planning for sixteen years and I have never seen our budget comply with the plan.

7.3.2.3 Budget Allocation

The budget is allocated in NSC on an incremental basis and funds available. One accountant described the budget allocation as follows:

> We maintain an incremental budget, and that is the system they adopt in headquarters, which is not good. For instance, let us say last year we spent ngn50million; in the previous year we spent ngn48million. Okay, let me just give them 5%, which is what they do in head office; that is basically what they do, and it is not supposed to be so. In a well managed or established organisation you don't do that, you justify everything, but here one just awards the budget. Everybody is supposed to come up with his budget and be able to defend the budget, but it is not like that, although we do go for defence. At the end of the day you will be given - okay, last year we gave you 10%; let us just put it at 12%. That is why things are not working well.

Furthermore, the NSC budget is allocated based on available funds rather than on business need. A senior manager explained how the budget is allocated to SBUs/CSUs as follows.

> I mean we are planning and we talk to finance and maybe for this year they may say we have just a 100 million to spend, and of course by the time all the businesses brings in their budget, it's like 300 million, so we have only a 100 million to share.

SBU might come up with thirty projects but might end up with only ten being approved, because that was what NSC could afford as NSC is not allowed to borrow. Everything is financed in-house from the revenue generated from the business.

SBU planning managers were dissatisfied with the way the budget is allocated to them; one of the planners argued that he does not think there is anybody in the CPDD who had worked in a manufacturing SBU before, and yet they decide on what the manufacturing SBU wants and does not want. An auditor gave his opinion regarding some of the problems manufacturing SBUs managers are having as a result of the way the budget is allocated; he commented as follows:

> The manufacturing SBU will send the budget to head office for approval, by the time the head office give a blanket figure; for example, if the SBU says

> salary and wages are this, transport and travelling are this, the total of all other expenses will be about ngn5billion by the time the head office approve it. It will just approve maybe ngn2billion without taking into consideration items by items that make up that budget. The SBU has to be prudent concerning how they should now apportion the budget.

The fund released in many instances is less than the approved budget. Furthermore, the approved budget is not allocated to line managers; the budget is there in bulk, like a pool. A manager noted the following:

> The accounting system is not targeted at individual departments; one department can finish the budget. We do not have a system where the budget is apportioned to each and every department.

7.3.2.4 Budget Implementation and Decision Making

Despite the issues discussed above, the implementation of the NSC's budget depends on the Nigerian government. A manager illustrated one of the reasons as follows:

> Protocol sometimes stops budget implementation; sometimes we operate 25% of the budget until the time when the budget is implemented. Sometime it takes up to February or March, because of bureaucracy.[54]

Some managers interviewed expressed the point that, since the NSC is just like the federal government, the budget is not approved for several months. Sometimes it takes up to June before the budget is approved. How the managers handle the above situation was described as follows:

> So you see in the first quarter nothing is being done; in the second quarter you can make other commitments to outstrip the budget, and make up the first quarter from the second quarter. Sometimes we asked our contactor to charge us more so that we can use the excess for other operations.

Although the budget is supposed to aid managers in decision making, several managers were of the opinion that the budget constrained their businesses. One manager made the following observation:

[54] Note that budget is cut off at the end of December and by January a new budget is supposed to start running.

> How much money we have controls what we do; it is not really that, it drives what we do. Because if we said it drives what we do it means we have enough for the things we want to do - there isn't enough money, I think the budget should drive, not control, but our own is this is the amount I have, so this is what you can get.

Another manager explained that:

> The budget is not implemented at both levels; we manipulate the budget silently to allow us to carry out our operations, as stated above. Some can cover the contingencies in order to be in the system. Sometimes we get the approval and we go quickly to implement it. Capital budget is not approved up to now. We are in October, and this year's capital budget has not been approved. People have to devise means to support the operations.

One manager gave an example of an incident in which they had a problem with their printer (a new printer cost ngn 35, 000),[55] but because a printer is categorised as capital expenditure, such expenditure is not allowed. The manager explained that they were asked to send the faulty printer to the head office for repairs, and sending it cost almost ngn 50, 000; but because it is not capital expenditure, that expense is allowed. According to the manager, they expended almost ngn150, 000 in total, and at the end he got tired and stopped sending the printer. Another manager gave a similar example as follows:

> A member of staff went on training in Lagos[56]; what he did was to call in sick and add additional days. When he came back he used the extra per diem and bought what he needed. That is the extent to which we go in making our operation work. And the manager in charge will just keep quiet. Right now, I need a printer but it is not there, so I bought one and keep it at home. I have a flash drive, and whatever I want to print I take it home to print. The top management also do that; they distort the figures of products sales in some months in order to cover the month's operations.

The budget is also not adhered to at the top. It was stated by many interviewees that the NSC is directed by the federal government to fund some operations that have nothing to do with its business. For example, the NSC is requested to buy cars for the military, fund peacekeeping in the neighbouring countries and other activities. The

[55] Ngn is an abbreviation of naira, the currency of Nigeria.
[56] Lagos is one of the Nigeria's thirty-six states.

NSC has no option other than to follow the order and expend the cost somewhere in the budget. A manager claims that sometimes it is even their staffs who inform other ministries and State Enterprises that the NSC has funds. One manager noted:

> We may recall that the overall GMD is appointed by the president, so his alliance to the president is paramount before any other thing.

Another manager elaborated on the issue further, thus:

> The GMD has a budget; nobody knows how much it is or how it is being spent. No one approves the budget; it is just there for him to spend. It makes it difficult to account to anybody, as sometimes the directive might come from the presidency and that budget is used. So you cannot link, review or investigate that budget.

7.4 Management Control Systems Change Initiatives

In this section, the new MCS introduced in the NSC are analysed. The evidence shows that the NSC has introduced many MCS and accounting innovations in recent years. Strategic planning was the first MCS change introduced in the NSC. However, its implementation and usage is discussed in the previous sections; therefore it will not be discussed here.

7.4.1 Activity-Based Costing

The NSC manufacturing SBUs introduced ABC in 1997. The reason for ABC adoption was the result of a meeting between NSC top management and the head of state (General Abacha); during the meeting, the NSC was asked about the cost of processing their main product. The government wanted the information to determine whether it is more economical to import the processed products, rather than rehabilitate the faulty manufacturing SBUs. The NSC could not provide the information. The Head of State instructed the NSC management to determine immediately the cost effectiveness of their manufacturing SBUs and report to the government; this led to the introduction of ABC in the manufacturing SBUs.

NSC manufacturing SBUs ABC was designed by consultants and some NSC staff were trained on how to use it. A detailed manufacturing cost of processing their main product was produced using the ABC methods in the same year. At the beginning, the head of all the manufacturing SBUs organised a quarterly meeting during which ABC reports were discussed. However, later the ABC report was prepared every quarter for the manufacturing plant MD and the responsibility of preparing the reports lies with the Business Development Department (BDD); the Finance and Accounts department only provides inputs like the other departments. For example, the Finance and Account department presents the cost for the period. A standard format is used to collect data on direct labour and materials from various departments; a demand made by a particular product on activities is determined using cost drivers as a measure of demand, and the cost of activities is traced to each product (Internal document).

ABC was loaded on a system and all the BDD staff responsible for ABC input various figures on to the system. The information is inputted in to the templates from the time when raw materials are brought into the SBU for processing up to when the final products are produced. Other costs such as the cost of water used, staff and their entitlements, electricity, chemicals are all inputted to the templates. The officer in charge of preparing ABC reports explained this as follows:

> We now said the raw materials comes in as so and so amount; it goes to the first area which is area one, and all those things. They are putting fuel oil to heat up, there is electricity to the pump, they are putting so and so, so all these products are coming out as so and so amount. They go into the next plant at that amount, and then add all the costs being incurred to the second amount, and it goes on and on like that. Then you could say my product A is finally

> coming as so and so amount, my product B as this and that. Then again there are some other products; the products are more of bottom products; these products come out as the costliest, even though they are useless or less important to us. The thing we do is this: we apply some ratios to redistribute the cost of the final product in between. We now redistribute and now task the lower value things, and put some more money on the higher value products.

However, the initial people trained on the ABC were transferred and the people who came after them were not trained; hence they mechanically put in the figures and obtain the output mechanically as well. The manager responsible for ABC described the situation thus:

> By the time they do the analysis, when it comes to me I see so many flaws in the analysis, and I can tell you that hardly ever since after the key person that received that training left has that report come out to my satisfaction. Because I would now say, like even the unit, for instance I saw the last report which had so many naira kilo watt per hour; so that means naira per kilowatt per hour; naira is an entity so just put naira there, per something per litre or per hour kilowatt, just put naira per something. But when I say that type of a thing I correct it, send it back to the person and the person doesn't even understand what was wrong with it. Sometimes it comes back to me with another mistake somewhere else, so I just keep it.

ABC is domiciled only in the manufacturing SBUs and the head office has nothing to do with ABC; the figures are not used in determining the manufacturing SBUs processing fees. The report resides with the planning department of the manufacturing plant and is just kept for record purposes.

7.4.2 Sun Account

The Sun accounting system was the first computerisation attempt in the NSC. It was introduced in 1991 in order to enable the NSC to computerise its accounting function. Before the introduction of the system, record keeping was done manually, thus, affecting the production of financial statements and other basic reports that would aid management in decision making. This was emphasised by a manager thus:

> The primary thing is at least at the end of the day we should keep records. We needed to tell somebody: this is the extents of profits we make this year, this is

> our assets and liabilities, we need to have a global reporting of the business transaction within that accounting period, but that was lacking at a point when the system is seven, eight years in arrears of the financial statement, and other periodic reports as and when they are due.

However, the initial system at that time was described by another group of managers as not entirely manual; the managers explained that at that time what the NSC had was a central main frame batch processing system in its head office, and what the SBUs/CSUs did was to take all their tickets to head office for posting and I.T technician does the posting. A manager described it thus:

> So it is not as if it was typically manual then, but most SBUs actually keep their manual records, because before you get your returns from the computer time has gone and you need something to present to management or any user. People are relying more on their manual records, until the time when the central computer is ready with the information.

However, this processing waste a lot of time. Before transactions are posted, it takes at least three months, and if there is any mistake the tickets must be taken back to head office for correction and the correction takes another three months.

How Sun account system was brought into the NSC was described by a manager as follows:

> The stakeholders were not able to know the direction of business flow in the NSC. It was like the activity of the NSC was shrouded with secrecy, but that was inefficiency that emanated from the absence of a competent and effective accounting system. So that now led the government to think about what to do with the NSC accounting system and somehow the World Bank came into the scenario. Now it sponsors the review of the accounting system in the NSC. Pick Marwick Consultants were hired in conjunction with seconded staff to review the accounting system.

The consultants felt that there was a need for the NSC to introduce a computer-based system; research was carried out for a potential system and the Sun account system was selected. A more robust package was not chosen because at that time there was limited computer knowledge. Therefore, a system that was not too high as well as not too low was introduced; thus the staff can learn from it and develop competencies. Prior to the 1991 review, there was an earlier attempt in 1988 by Arthur Anderson to computerise the accounting function, but that attempt failed.

The Sun accounts system was implemented by consultants. The Sun accounts system was a modular accounting system with ledgers - the general ledger, fixed asset register, sale order processing, processing order, inventory control and corporate allocation - and each module was implemented based on NSC need. The general ledger was the first module to have been implemented, and its implementation was done in phases; the implementation was phased according to the NSC’s zones. The next ledger implemented was the fixed assets register using the same zone phase system. This was followed by sales order processing, but it was not entirely successful. The sale order was implemented in two SBUs only. Corporate allocation was implemented in only one SBU. However, purchase order and inventory control was not implemented because they were not needed in the NSC. The Sun accounts system is online but not in real time. For example, some SBU headquarters are not linked to its area offices. All SBUs have their own database. This is part of the problem of the NSC not producing its annual account on time, as discussed in the above section.

In terms of general acceptance, Sun accounts system was accepted because it was the first computerisation in the NSC. However, that was not without some resistance because the internal auditors felt excluded as there was no audit package for them. In addition, Sun accounts reports post transactions, and the sales people felt that they had not been incorporated into the system, because they are more interested in what happened before sales transactions, not after sales transactions, as Sun system reports after sales transactions; hence the sale department acquired a separate system.

Although the SUN system has the capability to generate various reports, this study found that many reports are prepared using Excel-based or other computer applications. An officer explained that Sun account system has the facility to produce many reports, as follows:

> It has the facility to produce management reports; it has ledger A-J. Ledger A is the actual ledger, and B is the management accounts ledger where you can enter commitments and run expenditure, but at the moment no SBU is using it.

The Sun system is not used in the preparation of management reports; Excel is normally used for many reports. A manager described it thus:

> The ledger account is the one mostly used. There is a budget module but it is not used. There is a facility for management accounts variance but that is not fully utilised.

Several managers attribute the reason for not fully utilising the Sun system as follows: when the system was deployed the interest was to move from manual to electronic records, and there was a lack of knowledge, as many people did not have full knowledge about it. The workforce was not well trained. The training was done little by little, and many of the employees were not introduced to the system. However, a manager argued that posting on the system is simple, so is updating the journal; everybody can post on the journal. He commented further:

> The fixed assets register is on Sun; apart from me and other staff, nobody can use that section. And in our area office … apart from me and some of the staff that have an interest in it, nobody is updating it.

This implies that the Sun system is not given priority. Up to the end of data collection for this study, the Sun system is the accounting package used in the NSC.

7.4.3 Introduction of Total Quality Management to the NSC

The NSC adopted TQM in 1994. According to several interviewees, the NSC adopted TQM because of need for change as there was a problem in the way the NSC was doing it business. At the time of TQM introduction, many companies in the world had adopted it and were becoming successful, so the NSC adopted TQM with the hope of becoming like those companies (several interviewees). How the NSC discovered the concepts was described by a manager as follows:

> CU goes out, so from research and contact training we noted that among the management concepts in vogue among companies there was TQM, and companies were using it to make tremendous improvements. They were using it to make an impact, they were using it to improve production, using it to improve service delivery; some companies were using it to become the best and are getting awards, so CU felt, why not?

TQM was introduced by the Consultancy Unit (CU).[57] CSU introduced TQM to top management as a theme of the first Executive Orientation Seminar on 15th February 1994. The seminar was organised in search of a better way to make the NSC more efficient (Internal Document). The management of the NSC realised the benefits of the TQM, and at the seminar took the decision to adopt its culture as a survival strategy in all its business, and set in motion the process for its implementation. The NSC was described at that time as being like a ministry.

In April 1995, the TQM council was formally launched; the council comprised GMD, as the chairman, all Group Executive Committee (GEC) members, and the GGM CPDD and CU manager as executive secretary. The council function was to state vision, values, direction and planning requirements clearly to implement TQM in the NSC, and also to serve as a clearing house for CU and SBUs quality steering (Internal

[57] For the creation of CSU see chapter 6.3.1

Document). Following the launching of the TQM council, steering committees were launched in all SBUs and CUs to spread the TQM culture and its benefits in the entire corporation. In the SBU, the steering committee consisted of the MD as chairman, MEXCOM members and all HODs and quality units as secretaries. CU was to serve as a resource centre and the custodian of TQM action throughout the corporation, and the department supported the development and implementation of the TQM process. The adoption of TQM resulted in the introduction of a new mission and vision. TQM was implemented by NSC staff; external consultants were invited only for training. The CU department was later renamed Total Quality Department (TQD).

7.4.3.1 TQM Implementation

TQM was implemented as follows:

- First, the buying by management.
- This was followed by the reorientation of staff towards TQM; TQD held a series of campaigns to let staff know that NSC management had adopted TQM concepts. Campaigns were held in both the headquarters and SBUs to make staff accept the idea.
- TQD trained staff on the TQM concepts (trained people in what TQM is all about).
- Process improvement began.

Several interviewees noted that emphasis was put on process improvement. A manager explained this as follows:

> So TQM focuses on process: what process did you use to produce this? TQM will tell you to go and look at the process from the beginning. So you identify all your processes, as there are as many processes as there are products; in anything that produces something there are processes involved: it can be a

> combination of processes, so once something is not coming out the way you expect it, go and check the process; something has gone wrong in the process line, so that is what TQM emphasises: identify as many products as you have, look at their process; is there anyone that is not working well, go and do process improvements, go and check what is the problem, and when you have found out the problem, do process improvement.

Furthermore, TQD staff review reports from other departments and whenever a problem is noticed the TQD staff visit the department and meet with the staff. A project team is set up to look at the problem. The team members are drawn from anywhere (from TQD, or any other unit/department from which the process owners felt a solution could be found). The project team looks at the problem and suggests the solution. Process improvement was described as the main issues pursued by TQM in the NSC. Other issues considered but without much success included cultural change, benchmarking, ISO certification documentation and performance measurement. A manager reported as follows:

> We did performance measures; KPIs one big volume but nobody implemented it.

All departments have quality improvement teams, which are charged with the responsibility of improving the ways things are done. The guidelines of the procedure for implementation are issued by the quality department. The quality department also issues certificates saying 'well done' to the best department, and gives advice to the worst departments.

However, TQM concepts have encountered many problems in the NSC. Some managers believe the problem is related to TQM being too theoretical and irrelevant to NSC's culture. One manager noted the reason as follows:

> TQM - I think one of the things when we started it, was it was too technical. In fact, that was what one of our MDs complained about; you came and talked about TQM. Yes, I know what TQM should do but how to make it tangible. Let me know, how does it change me, how does it impact on my behaviour,

> how does it impact on what I do? They said, Okay, we should now have processes, we should write out our processes for our job. I said, processes for my job? Okay, as a manager we should draw this thing so that this person reports to this and that, so that any other person that comes in automatically knows this is my reporting line and all that. I say, Okay, fine and good but I don't see how this one will change me or change my job. All I want to see is what I can do so that if I do the wrong things it shows immediately that I am falling out of line. What did you put in place? Those are the type of things I would have wanted to see, but I never saw anything like that; all we ended up was in the processes for our work.

The cultural problem was described by a manager as follows:

> At times the talk they do on TQM is alien to us, it is alien to our culture. It is good on the surface, but if you look at it there a lot of alien things for us; our level does not reach that. We have not reached that level to be compared with those companies they are talking about; we have not reached that stage like the certification and so on. We are nowhere near those areas, so there is no basis for you to say you want to bring those things to us; now in the NSC, it will not work. Definitely right from the onset it is doomed to fail.

One manager compared TQM concepts in the NSC to the two major religions in Nigeria, as follows:

> The religions keep preaching and preaching and nothing changes, and to me that was how TQM was. TQM is just preaching and it cannot change anyone who does not want to change.

The fact that, in the NSC, top management held the key to major decision making might have affected how TQM was implemented. A manager explained how the team abandoned the lower officers as follows:

> In my SBU and other area offices, those that are supposed to know are not exposed; they are not involved in implementation and roll out. What the TQM people did was go to a hotel do some presentations; they did not go to the area offices to address people working there. They have not taught/shown the lower people how to identify processes and systems. In particular, the people in the operations department do not know what TQM is all about.

TQM concepts continued for many years until a GMD who did not believe in it was appointed. A manager noted the following:

> It is just that TQM would have been successful, but it did not receive the support Project Alpha received; Alpha was backed up by government and the executives, but TQM was probably on Executive level and their support is not

> much. The GMD that time supported it, and so did his successor. But when the next GMD come, he did not believe in TQM; that is how TQM died.

A manager gave his personal opinion that, had TQM been adequately supported and funded, the NSC would have recorded an improved achievement a long time ago. Many staff shared this view, as they linked all the changes the NSC underwent as trying to do and achieve the same thing; the only difference was the name given to each of the changes.

In addition, some staff linked TQM failure to the lack of a succession plan in the TQD. Many of the staff interviewed explained that the head of TQD was among the first people sent on compulsory retirement when a new GMD took office (the GMD who did not believe in TQM) and the staff who are next in the hierarchy have not reached management level; thus the retirement of the head caused a huge blow to the TQM concept. However, some managers explained the reason differently. According to them, any change is perceived as suspicious, as change suggests that somebody is going to gain somewhere. In addition, some staff believed that the manner in which TQM was implemented was the cause of its failure. One manager explained that the TQM team used the whole idea to travel around and get money out of it and did not encourage other staff. Lack of infrastructure was another reason for TQM failure; an officer noted that as follows:

> The orientation is good, but if you hear all kind of sermons and the facilities, the environment for you to put it into practice does not exist. It becomes a mere sermon; sooner or later you even forget the sermon. It does not reflect in our productivity.

Some interviewees argued that TQM failed because it was not something that would satisfy the government. A manager stated the following:

> Top management are always there to satisfy stakeholders, government demand; changes that affect our accounts, operations and so on are not seen

> through. Frequent change in management and no continuity, and also we cannot measure what we do. Nobody looks at our book to see whether we are doing well or not. What I always said is that the NSC is like Nigeria; the problem of the NSC is a reflection of the country's problems.

Some staff held the opinion that TQM had failed because it had been introduced in parallel to Planning and Finance and Accounts department, so it lacked the support and commitment of those staff. A manager noted that as follows:

> Even when such things/efforts are being undertaken, it is usually not the management accounting department or so that drives; for example, one attempt the NSC made was TQM. The purpose was also to optimise the processes, integrate processes, reduce areas of wastages, reduce delays, reduce costs, improve revenue, increase efficiency, - these are all strategies, but usually the accounting department is hardly ever involved in such efforts.

However, some staff doubt whether they had ever practised TQM in the first place; a manager commented:

> My own understanding of TQM is that it is a management concept; a management tool that tended (I will put it in past tense because I am not yet convinced that we practise it) to introduce innovation in management to a very large extent. I don't think we abided by the tenets and rules of TQM. I did not know how much impact it had in the activity of my unit, honestly speaking, because we never preach that gospel, because if we preached it we would have probably been trained to the extent that we will not have trained to champion TQM and did not see it aligned to our job schedule properly. I can stick my neck out and say we don't practise it.

The researcher asked several managers whether they are still using the TQM concept; and their reply was: had they ever used it? A manager emphasised that he was asked to write down his processes, so he asked this question, now that he has drawn down his process; should he memorise the process or is it that when he is doing anything he has to go back and check the process? The manager argues that this is not the way it should be. The manager explained further that he was confused about how to tie it all together. What is the usefulness of that? He has written his reporting line, but he argues that the reporting line should have been done away with; TQM should have an open door for every staff member to go to the MD if he needs something; it should not be done by writing this is a line of this and that.

7.4.3.2 TQM in SBU at present

The evidence shows that TQM is practiced differently in the NSC head office and its SBUs. The following section presents how TQM is done in the SBUs visited. A TQM manager of the first subsidiary the researcher visited described how they do TQM as follows:

> The implementation is simply having people here like me; you can see me, before I came here TQM had died completely, there was no TQM *per se*, what they had was somebody representing quality. In fact when I came I found an office that was not manned; nobody was there in terms of TQM, nothing was happening, nobody was doing the TQM job, and the person representing quality was there mainly for other aspects of the job (Health Safety and Environment), so the whole place is as if there was no more TQM until I came.

Process improvement is a continuous process of improvement in all areas of operations and this is done by examining existing processes, determining their efficiency or lack of it, and also suggesting ways or measures that can enhance efficiency. As in head office in the subsidiary a committee is set up whenever a problem is identified. The committee brainstorms, discusses and suggests solutions for the problem. The problem areas were normally identified through departments' daily, monthly and quarterly reports or when TQM department notices any decline in production or services, depending on the unit/department.

Similar to the first subsidiary, TQM was revived in the second subsidiary the researcher visited when a new manager was transferred to the department. The researcher noticed a TQM suggestion box at the subsidiary's reception and asked several staff about it; the response of one manager was:

> You are just seeing that for now. I saw that some three months ago; recently, they appointed a new man as TQM head; before then it was dead, nothing.

The TQM department function in the second subsidiary visited was explained thus: the TQM staff walk around and inspect the office cleanliness of all departments and monitor procedures. The department keeps procedures for all other departments and compares the procedure with what is happening on the ground. This function is conducted in three ways: standard, measurement and improvement. In addition, the TQM department is charged with the responsibility of organising retreats for the MD and EDs. furthermore, the TQM staff attends the weekly and monthly meetings of other departments and asks questions about the departments' activities. TQM officer explained that as follows: "We measure to see whether departments - for example, production - have produced what they are expected to produce." Unlike in the first subsidiary visited, the second subsidiary visited places little emphasis on job processes.

The concept of TQM was also dead in the third subsidiary the researcher visited. A manager stated that as follows:

> TQM died some years but the department is still going on; what we do now is more or less knowledge management. TQM started well but later died, but if there was continuity, TQM would have being built on to become knowledge management, which is almost the same ideology. Nobody is there for TQM.

In summary, the evidence shows that the presence of the TQM department is the major factor that caused the TQM name to continue in the NSC. A manager reported:

> For sometimes management was not really talking about TQM, but the department is there so we continued improving processes, doing things to have results.

The TQM department was viewed as a redundant department in some SBUs. Several interviewees explained that when extra hands are needed for some work, the staff is pulled out from the TQM department. Also, the researcher happened to sit at the same table during lunch time with a staff member who had recently been transferred to the TQM department; the staff member was voicing to his friends his displeasure at being transferred to the redundant department. However, TQM was revived when Project Alpha was terminated. The responsibilities of implementing Project Alpha initiative was handed over to TQD. This resulted in posting new TQM managers to SBUs to implement the SBUs Project Alpha initiatives. At the time of the data collection, the TQD was concentrating on process documentation for certification; this certification is also in line with the expected reform, which is likely to take effect in the near future.

7.4.4 Performance Management System

In 2006, the NSC introduced a new Performance Management System (hereafter, PMS) with key performance indicators (hereafter, KPIs). The PMS was introduced by consultants as part of the Project Alpha programme. A manager gave the reason for its introduction as follows:

> The consultants discovered that employees' performance by appraisal is 70 per cent; almost everybody is getting a 10%[58] increase at the end of the year, while the actual performance of the organisation is not up to 40 per cent. They said something is wrong. Let us look at the organisational performance; why grade everybody as good, while in the actual sense nothing is done.

The new PMS was introduced to improve appraisal distribution. Several interviewees explained that their old appraisal used to be subjective, but now it is more objective. The new appraisal is top-most driven, which comes with KPIs from the federal government to the last person on the shop floor; a manager reported:

[58] In the NSC at the end of staff appraisal, the staffs who are promoted get a 12% of their salary increment while staffs that are not promoted received what they called a salary increment award which ranges from 10-0 percent.

> KPIs come from corporate objectives, and you know we are solely owned by the government. Our GMD cascades government objectives as they affect our industry; this is further cascaded down to the GEDs. The GEDs cascade their object to MDs under them. The SBUs MDs distributes this directives to the Executive Directors under them, the Executive Directors cascade theirs down up to the last person in the shop floor.

Each department/units/section has its KPIs, and each person gets his share of it as tasks and targets; at the end of the day the individual is appraised based on whether he/she has achieved or not achieved their share of tasks and targets. The tasks and targets are set at the beginning of each year. They are developed, discussed, agreed upon and signed by supervisor and their subordinates. The forms are countersigned by the unit manager. The agreed targets are reviewed half yearly to make sure that they are achievable; if not they are reviewed downward or changed. In addition to the tasks and targets, staffs are measured against the NSC core values. A manager described the appraisal as follows:

> The system of appraisal is now such that we have measures; when we give you a task you meet the task, you do not meet the task, or you exceed the task; for me to think of promotion and better reward you have to exceed your target. Because when you meet your target that is exactly what is expected of you; you have to exceed the targets before you think of getting a higher reward.

The old performance measurement system was described by a manager as follows:

> Project Alpha modified the appraisal; the objectives and target settings were introduced and percentage allocated. What we used to have was a job carried out. Operators itemised jobs and at the end of year appraisal is assessed on the job performed, not necessarily on the percentage target on achievement.

Another manager explained this further thus:

> Basically we were judging staff based on their job description, not on the business objectives. The job description is just there for staff; as an officer you are expected to do this and that, describing your job.

The old appraisal was conducted at the end of the year; the staff picked up the forms, started thinking what they had done that year and wrote it down; the process was the same with the superiors who did the evaluation. A manager noted the situation thus:

> You will see towards the end of the year that some people will be nice to you, so that when the appraisal comes you will score them highly; after that they will change to their true selves.

It was widely believed in the NSC that the PMS is a good thing, and if properly implemented it will help the NSC overcome its performance problems. It has made targets clearer, more specific and direct; everybody can measure his/her own performance and at the end of the year defend it. It is no longer based on favouritism or tribalism. A manager described it as follows:

> We set a target for the next year, in which you have your objective for the whole year; you have a weighting, a measure of what you are actually doing and how you are going to get the target, and also you have milestones so it has made it very easy for me as a supervisor to assess my subordinate now. So really it's performance guided; it is not just from my head that I am going to say he is very good, hardworking and intelligent; I can say, right, you are supposed to do a number of meetings, you are supposed to cover so many SBUs. Whether he did do them, how often he did them, is all there, so I am actually judging his performance.

It is important to note that most NSC staff, when asked what performance measures they use in measuring their performance, replied that it is based on annual appraisal. Therefore, staff appraisal is seen as an important performance measure. However, when the researcher asked the staff how the new PMS is linked to the NSC's overall performance, none of the staff was able to link it up. The Human Resources staff asked the researcher to talk to the planning department, as they are the people who are supposed to do that, and when the planning managers were asked about the relationship between the appraisal and the organisation performance, none of the managers linked the processes. A manager noted the following:

> Appraisal does not boil down to performance, so you see if my task is to organise a retreat I can set my targets as two, even though I can actually organise four, so I manage to do three, which means I have outperformed; that is because nobody comes back and looks at whether the retreat has translated anything into the business appraisal.

Another manager observed the following:

> Performance is not linked to appraisal; we are making a loss here in our subsidiary. Our selling price is determined by the government, still we are been promoted and in operations.

A manager was asked about how the KPIs affect his department, and the response received was:

> These are some of the things that are not fully implemented in our department. They are implemented in some but not every department. It is supposed to be linked, but it is not as neatly linked as you think; if the whole thing has gone to its conclusion then you will see this neat link. Now the link is that more or less every department has tasks and targets, and every member of that department has his own task and targets within the context of the department task and targets, so everybody at the end of the year is appraised based on whether he has made his tasks and targets or not. If they meet them, it means the department has achieved its own link. But if you think in terms of one side what could have happened is first of all to appraise a department before you appraise the individual or both; it is the overall performance of the department that should affect the individual performance, so that you cannot have a situation where individuals in a department are doing excellently, whereas the department is not doing well, so you cannot tie the two.

Furthermore, there were problems with the tasks and targets, where one job input depends on another person's output. Most of the staff interviewed perceived the PMS as being mean and not as objective as it is supposed to be. Some of the interviewees were not happy with it. An officer explained the problem thus: with the old appraisal, the lowest increase we can get is 5%, but with the new appraisal it is 0%. Another officer emphasised this as follows:

> We do our work correctly and on time, yet we get 6% increase. We are not happy with the appraisal systems.

A manager faulted the appraisal grading as follows:

> They tried to ensure that people who are performing and giving high performance are rewarded; but for instance they will come to me and say only 2 people can get 10 per cent increment and when I look at it I will see that I have more than 3 or 4, but they say that from the whole department only 2 can get it, so those things are there.

Furthermore, the way the tasks and targets are set is not clearly defined; a middle manager explained this as follows:

> At my level I wrote my own tasks and targets; I wrote my boss's tasks and targets, I wrote his boss's tasks and targets as well in relation to other departments that are under that boss; my boss was so impressed with what I did, because understanding the thing is the problem. I swear to God I am not joking; people don't relate these kinds of things directly, you don't have to put some bombastic things simply because head office gave it to you. It has to be something that you can achieve. At the same time, you don't have to water it down to where you don't have any targets to achieve, and you score yourself 90%, so there is this problem.

The targets given to the SBUs are supposed to be achieved, and if they are not, the SBU is supposed to suffer for it, from their MD downward. However, that was not the case; both the SBU and the head office collected the information, but nobody looked at it. A manager gave an example in which only three people were promoted to management level in the manufacturing plant that was working. The manufacturing plant was the only NSC manufacturing plant operating at that time, with overall performance of 65-70 percent on-time, but the other two manufacturing plant that were not operating with 0 percent on-time have more people promoted, and the reasons given for their promotion was that the 0 percent production is not their own doing. A manager stressed this point as follows:

> The reason that is not their doing, does it matter? You cannot punish the one that is performing but has not reached the targets you have set for him with the one that has not done anything, and say that, that one is not his fault; yet you reward them fantastically. Does it make sense? So this is where we have a problem.

7.4.5 Balanced Scorecard

Project Alpha designed a Balanced Scorecards Performance Management System for the whole of NSC, but that was yet to be implemented. Key Performance Indicators (KPIs) for each SBU and CSU were designed. The KPIs were developed along the four perspectives proposed by Kaplan and Norton (Kaplan and Norton, 1992, 1996a, 1996b, 1996c) financial, people, operational excellence and stakeholder and customer. One manager explained how BSC is to be implemented:

> We are to drive the implementation of the KPIs in SBUs; that is what we are going to do in 2008. We will do the implementation through the GEDs; we will send the lists of KPIs the GEDs and ask them to deliver on it. We are pushing through planning department. We do our performance based on an individual appraisal system. So what we want to do now is to measure performance, department by department.

However, up to the time the researcher left the field, the implementation of BSC has not yet started.

7.4.6 System Application and Products in Data Processing Introduction in the NSC

System Application and Products in Data Processing (hereafter, SAP1) was introduced by consultants to the NSC as a result of Project Alpha. The consultants suggested that the NSC adopt the system. Many interviewees argued that the impact of the Project Alpha will be appreciated fully when SAP1 is adopted, especially in the accounting function. A department named SAP1 reporting directly to the GMD was created at the NSC headquarters to oversee SAP1 implementation. The SAP1 department was headed by a General Manager recruited from a multinational company. The reasons for introducing SAP1 were to increase efficiency in NSC's processes, transparency and information integrity, and to help NSC achieve its mission and vision (Transformation documents). A manager emphasised the importance of this as follows:

> To cut off the issues of departments having to do something different, material department doing their records differently, accounting doing their records differently, HR doing theirs separately, it is to integrate all of us as one data base so that we don't have duplication; from here we will know what materials have been received so that we can make provision for the money; we don't have to wait until they come as if everybody is on his own.

According to some of the managers interviewed, if SAP1 is implemented fully, the management and all the staff of NSC will be able to know the obligation they have for their creditors, debtors and other operations activities. A manager commented as follows:

> I should be able to know what and what, who and who are owing, who and who supplied their goods at the end of the year that have not got into the accounts, ... I will be able to know that contractor ABC has supplied so and so on 31st and so on, so that I will make sure that my own system and what I am reporting are up to date. So, if I am going to say at the end of the year we are owing ABCD, it should be exactly what we are actually owing, but now because everybody is working on a different data base I have to wait for them to bring it. They might not even bring it; they might not even know why they must allow me to know.

The SAP1 application was to be used as a technology platform to support improved business processes. A manager described that as follows:

> We have lots of data but it’s just data. It has not been converted into information because we have not packaged the thing in the manner that is user friendly. And that IT really means having a very good IT structure, a database which is one of the pillars of Alpha to develop a very good IT structure and certain work processes, that would make work easier in planning, finance, and other things like that.

The NSC SAP1 was designed by consultant. The consultant reviewed the processes the NSC had on the ground and did a gap analysis and fitted those things the NSC wanted but SAP1 could not do and what SAP1 do and NSC did not need, and came up with SAP1 for the NSC. The SAP1 was to be implemented by the consultant and NSC counterpart’s staff, who would work together for the sake of knowledge transfer. The implementation would be in phases beginning with head office, and later in other CSUs and SBUs (transformation document).

The SAP1 was planned to be implemented in the three years from 2007-2009; however, up to the time the researcher left the field (March 2008), the implementation had not yet started. The researcher asked many staff towards the end of the study why SAP1 implementation had been delayed, and their response was that there was a problem between NSC and the consultant. The NSC wanted to engage the services of SAP1 South Africa team for the implementation, but the consultant had refused; they claimed they were the organisation that had designed it, and therefore, they should be the one doing the implementation. This lead to the consultant reporting the matter to the Nigerian government, and by the end of the field work the NSC was still waiting for the outcome. Furthermore, the contract for the implementation should have been given by the NSC board, which up to August 2009 the board membership had not been appointed by the Federal Government.

Some staff expressed their scepticism of SAP1 achieving success in the NSC. Some believe that SAP1 is a theory for now. One manager suggested that, the reason for this was that there was no computer network in place between the different SBUs and head office. The manager compared the NSC with the Banks, as one can put money in a bank and go anywhere he likes and cash it. There are cash machines available almost everywhere. The NSC can afford to provide such things or much more, but have not done so. In addition to the lack of infrastructure, some staff perceived SAP1 - if implemented - as a threat to their jobs; one officer stated as the following:

> The idea of SAP1 is automation; the jobs of 4 people are to be done by 1. In other words, they are talking about downsizing, to become a paper-less company like the international companies we are imitating, forgetting that we don’t have our own building. If we beautify this house the next thing you hear is that the landlord is increasing the rent. Management talk too much grammar but there is no action.

However, some staff sees SAP1 as a system that will control operations better and curtail corruption, and for that reason they fear for its successful implementation.

7.4.7 First Subsidiary Visited Management Information System

Part of the Project Alpha initiatives in the first subsidiary visited was the development and implementation of a new Management Information System (MIS). The MIS was introduced with the essence of having a single consistent data base for the whole of the subsidiary; this would provide information that would aid management in decision making and also help the subsidiary in achieving its mission and vision. Before the introduction of MIS, there was no such data base in the subsidiary. A middle manager explained the MIS as follows:

> Basically the MIS is a data base that has all the information about the company, from HR, finance and accounts, operations, and from there you can recall data and use them to generate any kind of reports, be it operations reports (talking about how production) or financial or accounts reports. Basically you can call them business reports. You can use the data base to generate reports which show you the performance of the company.

The MIS information is supposed to be used to generate reports for management decision making. An officer described that as follows:

> Prior to Project Alpha, we didn't have anything like that. If you wanted any information you had to a go and start opening old files, hard files and look for data, but now with MIS functional at least we can save that time. One of the advantages is that it has reduced the time used in generating reports.

The system was designed by the consultants and the subsidiary's staff. First the design team requested specification from various departments and potential users. The team went to find out what kind of data each department had, how they wanted it and what kind of report they would like. The team then designed the architecture and deployed the MIS. After the deployment, there was the second phase where the aim was to make sure the MIS had been put into use.

The MIS was made up of two sides: the data capture side, in which people from various locations enter data, and the reporting side in which management views the data for information for decision making. In the reporting side, some of them have a dashboard where in a snapshot management can see indicators - green for good, amber for something that requires attention and red where the performance is not too good. The dashboard covers all aspects of the operations of the first subsidiary the researcher visited. The dashboard was shown to the researcher, who noticed that it was designed like the Balanced Scorecard advocated by Kaplan and Norton, with four perspectives and KPIs. The KPIs are supposed to ensure that the subsidiary has business objectives. The KPIs, their indicators and how to measure them are designed during the quarterly business review organised by planning, and the KPIs show the performance of the whole subsidiary. How the MIS work was explained to the researcher by a manager thus:

> For example, the EDS and management agree that he shouldn't spent more than this and that, and it is accepted by both parties; we programme it into the MIS. However, at a later date, let's say we discover new business the EDS wants more money; the management can review and increase his spending, so what we do is we go back to where we set the KPIs and change it, so that each time the ED, MD or any other authorised person logs into the dashboard he will see the real picture (whether you are under performing, performing and whatever).

The MIS faced some problems. The first problem was prioritising MIS work; the HODs do not release staff to input on the MIS on time. In addition, the staff who are supposed to input on the MIS also see it as having lower priority than their normal day-to-day job. The second problem was the lack of usage; the MIS is not updated; nor is it being used for report generation. An officer explained an incident that happened recently as follows:

> I saw a colleague compiling a list of our subsidiary contracts status manually. I said this thing should be on the MIS, so the manager was wondering and said where? So I just showed him where on the MIS, but unfortunately, when we checked, the last contract that the subsidiary had implemented was in 2006, which obviously we know is not correct.

The data suggested that the non-utilisation of the MIS was the result of lack of top management support. The constant changes and retirement amongst top management has reduced the support MIS has. In addition, many staff in the subsidiary do not understand the MIS. This group of staff argued that computers were not readily available and that access to the MIS is restricted. One manager noted the following:

> We started using the system for appraisal before, but because of the non-availability of computers we stopped that; it is now done manually.

The MIS is accessible to top management only, and even the top management have limits on what they can access, as explained by an officer: If the MD logs in he sees a comprehensive dashboard, whereas if the EDs log in they see a different dashboard (dashboard concerning his operation); he cannot see the MD's dashboard. Furthermore, for those who are inputting the information, there is a limit to what they can do or not do with the MIS. An officer noted the following:

> This is our daily operations reports but this is not generated from the MIS; it is still manually generated. I don't know whether anybody in the subsidiary has access to the MIS. The system is there; it is supposed to be on the network but I don't know how many people get access to the network. You cannot even access whether staff understand it or they are enjoying it, as information is not available. Maybe as time goes on they will open it up to everybody to use (if the zeal is there).

Some staff were trained on how to input data, but only a few received training on how to use the system to generate reports. The subsidiary top management were trained on how to use the MIS, but almost all the top management had changed, with changes of MD twice or three times from when the MIS was first implemented. An officer who was among the staff that had received training on MIS explained:

> You know this problem about a computer: learn about software and never use it, give yourself two-three months you forget everything. If we have a good system in place, and I have gone for that training I am supposed to have access to that system, so I should be able to use it and generate data. Since we came back from the training in June 2006, I have never had access to it, so what is the purpose of the training?

Despite the MIS capabilities to produce reports and indicate performance, it has not actually been updated in that sense; one MIS officer explained that as follows:

> If you look at the production plan (show the researcher on the screen) you will notice that they have not entered the plan production for 2007; that was supposed to be entered around September/October 2006 so that it can be used to generate reports. Since those people have not entered the plan, we will have errors in any report generated; this is basically the problem we are having with the MIS. Some departments don't use it, or they don't input any information.

This was confirmed by another officer as follows:

> Generally speaking, we are not using the MIS installed here by project Alpha; we generate the reports manually by collecting information from each department.

Apart from HR - and that was because of pressure from their manager who does not accept reports - if it is not from MIS no other department uses it. The Finance and Accounts departments used Sun accounts and at the end of the month were required to generate a report from their ledger accounts, which was to be deposited and updated into the MIS data base. An officer noted the following:

> For sometimes now they have not submitted any of their reports for update here; if you go to the accounts data base, you will not be able to see up-to-date information.

Some staff argued that the MIS implemented by the consultants is inferior to what they need, as it is not online and in real time. Some staff argued that it has not made any impact on their job, and that Project Alpha initiatives will die with the project. This was highlighted by an officer thus:

> Like most people think, the normal thing, the NSC, *Nigerian thing*- after project Alpha that everything about it had died. Most people take the MIS to be a Project Alpha activity and Project Alpha has finished, so everything about it has finished, except those people that are handling it on a day-to-day basis. If not, most of the staff feel that was Project Alpha work and project Alpha has finished. Just forget about Project Alpha and MIS.

At the end of the data collection, the MIS had not been fully utilized.

7.5 Summary of the Chapter

This chapter presents an analysis of the NSC accounting systems and practices (both financial and management accounting). The analysis shows that the NSC is legally required to prepare an audited financial account at the end of every financial year. However, the NSC is not keeping to that requirement. The analysis also reveals that the NSC does not have any clear costing strategy. The head office and other SBUs allocate and determine cost without referring to any formal strategy.

The NSC had undergone various reforms, and, as a result of these, many MCS innovations were introduced. The NSC introduced strategic planning in 1986, which was integrated into its budget. The budget is the main MCS technique used in controlling the NSC activities and processes. Other MCS techniques such as ABC, TQM, BSC, PMS, SAP1 and Sun Accounts were introduced. Some of these innovations have managed to stay, some had failed, and some were just documented and put on the shelves, while some are in the process of being implemented. Furthermore, the analysis shows that, although the NSC was commercialized in 1988, it is yet to operate fully as a commercial entity. The politicians could not reduce their grip on the NSC. New systems and processes have been introduced but are not fully use because of divergent interests.

Having empirically analysed the NSC internal and external accounting systems and changes in MCS, the next chapter is the discussion chapter.

CHAPTER EIGHT: DISCUSSION AND ANALYSIS

8.1 Introduction

The objective of this thesis is to analyse the public sector reform in Nigeria and how this impacts on the Management Control Systems (hereafter, MCS) of the Nigeria State Company (hereafter, NSC). In the previous chapter, the NSC MCS were examined, drawing from the main themes and patterns that emerged from the empirical data. In this chapter, the empirical findings are analysed and discussed drawing on the Actor-Network Theory (hereafter, ANT) proposed in chapter three. ANT provides the opportunity to analyse the role of the heterogonous actors in the reform process.

The analysis traces the major public sector reforms in Nigeria and how these cascade down to the NSC (the case study organisation). The dynamics of the relationship between the actors in the reforms are explored, with the findings compared with those from the literature. Specifically, the process of how the actor-network has been constructed, and how the MCS is produced and reproduced in the reform network are theorised using ANT. By doing this, the thesis is able to provide understanding of the mechanism through which heterogeneous actors are interresed, enrolled and mobilised into the reforms network, and how the reforms networks are stabilised, and in some cases disintegrated.

The reforms studied are presented in chronological order beginning with the earliest to the latest attempts.

Table 8.1: Major Reforms in Nigeria and NSC

	Period	Reforms	Actors
1.	Early 1980s	Economic stabilisation act	Nigerian government, general public, state-owned enterprises
2.	1986	Structural Adjustment Programme/PSR reforms	Nigerian government, World Bank, IMF, SAP, general public, State-owned enterprises
3.	1986	Strategic planning/CRC/TQM	NSC top management, middle management, lower staff, consultants, NPM doctrine
4.	2004	Debt forgiveness/Project Alpha	NSC top management, middle management, lower staff, consultants, NPM doctrine, IMF, World Bank, general public

The chapter is divided into five sections. Following the introduction, the next section presents the definition and the relationship between the various actors identified in the study. Section three analyses the translation of the public sector reforms in Nigeria by focusing on how the reform networks are built, stabilised and disintegrated. The subsequent section presents an ANT analysis and discussion on MCS change in the NSC by highlighting the various MCS that the NSC has implemented in its search for efficiency and legitimacy. The final section provides a chapter summary.

8.2 Tracing the Relationship between the Various Actors

As presented in chapter three, from the perspective of ANT, the public sector reforms can be conceptualised as products of the network of relationship between human and non-human actors (Callon, 1986; Latour, 1987; Law, 1991). Consequently, in order to understand the reform, and their impacts on MCS, the human and non-human actors of the reforms are traced. This process is guided by Latour's (1987) rule of methods. Specifically, Latour's (1987) second rule of methods recognises the need to examine the transformation that practices undergo in the hands of actors. To achieve this, Latour's first rule of methods suggests that we study practices in action instead of viewing them as readymade. In so doing, Latour encouraged us to either arrive before the facts or we follow the debate that led to these facts.

In analysing the public sector reforms and their impacts on MCS, we travelled back to when the reforms were a possibility, and studied both the human and non-human actors that were part of the transformation. As a result, the reforms are traced back to the 1980s, a period when they were problematised. Latour's (1987) rules three and four urged us to consider symmetrically the efforts to enrol human and human resources actors in the process of the network. In terms of selecting the actors to follow, Latour's rule five suggested that "we have to be as undecided as the various actors we follow…every time an inside/outside divide is built, we should study the two sides simultaneously and make the list, no matter how long and heterogeneous, of those who do the work." Thus in this thesis both the human and non-human actors that formed the Nigerian public sector reforms are traced.

The analysis is further guided by Latour's rule seven which encouraged us to pay attention to the many ways through which inscriptions are gathered, combined, tied together and send back. In a nutshell, the analysis adopted in tracing the actors follows Latour's various suggestions above which require us to among other things to focus on the dynamics of the relationship and to explore how facts are constructed. To be able to follow the actors, the thesis adopts global and local classification. Wickramasinghe and Alawattage (2007) argued that in order to understand how networks are built, we may be guided by global and local dichotomy. Briers and Chua (2001) also adopted this categorisation in studying the implementation of ABC in an

Australian organisation. Thus in this thesis actors are broadly classified into global and local.

8.2.1 The Global Actors

Global actors are rich in concepts, competence and connections (Briers and Chua, 2001). Public sector reforms can be conceptualised as emanating from global actors as they are phenomena that have emerged from western countries such as USA, UK, New Zealand and Australia (see for instance, Broadbent and Guthrie, 1992). They involve changes in structures, culture, functions and processes of the public organisations - changes such as reducing government funding to public organisations, corporatisation, commercialisation, privatisation, performance contracts, improved financial management, private-sector styles of management, contracting, and decentralisation (Boston *et al.*, 1996; Parker and Gould, 1999; Awio *et al.*, 2007). These reforms are labelled “New Public Management” (Hood, 1991). In line with previous studies, New Public Management (hereafter, NPM) is conceptualised as a global actor (Gao, 2005; Stanforth, 2006; Heeks and Stanforth, 2007). As argued by Latour (1987), actors need not necessarily be human but instead they can be non-human such as technology or practices.

Similar to other developing countries, as presented in chapter four the World Bank and International Monetary Fund (hereafter, IMF) were enrolled and mobilised into the NPM network in Nigeria. Thus NPM reforms were presented to Nigeria and other developing countries as a way forward for their public sector. NPM reforms were viewed as solutions to the endemic problems affecting the public sector in developed countries (Humphrey *et al.*, 1993; Awio *et al.*, 2007). However, the set of doctrines and financial management techniques encapsulated in the NPM reforms of developed nations appears to developing countries as promising solutions to imitate in search of efficiency, effectiveness and accountability of their public sectors (Awio *et al.*, 2007).

The World Bank and the IMF constitute the global actors who hold the position of lender of last resort to Nigeria and other developing countries. These institutions, together with donor agencies, have encouraged and directed NPM reforms in developing countries through loan conditions (Asaolu *et al*., 2005) such as Structural Adjustment Programmes (Toye, 1994; Cook and Kirkpatrick, 1995; Olowu, 2002; Uddin and Hopper, 2003; Hopper *et al.,* 2009). These reforms have largely been imposed on developing countries (especially those that depend on western donors for their main sources of funds) (see Uddin and Tsamenyi (2005) for an account of this). The role of the World Bank and the IMF in the public sector reforms in Nigeria as discussed in chapter four makes these institutions major actors in the construction of the public sector reform network in the case study organisation.

MCS is a global actor (Robson, 1991, 1992; Preston *et al*., 1992; Lowe, 1997; Lowe, 2000; Greener, 2006) and shifted the focus of public sector MCS from probity, compliance and control to that of promoting efficiency, effectiveness, cost saving and streamlining organisations (Broadbent and Guthrie, 1992). MCS change (private sector method) was introduced into public sector organisation to enhance efficiency, accountability and performance (Humphrey *et al.*, 1993; Hood, 1991; 1995; Olsen *et al.*, 2001; Parker and Gould, 1999). O'Connor *et al.* (2004) found that the main objectives of change in MCS in China were to improve decision making and performance accountability. As discussed in chapter seven, NSC reforms involve the adoption of these global MCS. Specifically, the MCS adopted that were identified in chapter seven and which are discussed later in this chapter are strategic planning, budgeting, performance management, total quality management, activity based costing, balanced scorecard and sun accounts.

Other global actors include international management consultants. International management consultants are mobilised into the NPM network through their service. Consultants are identified as the transporters of change (Sahlin-Andersson and Engwall, 2002). This group of actors is also enrolled by the governments of various developing countries and the IMF and World Bank to assist in finding solutions to their public sector and implementing them (Larbi, 1999). Jones and Dugdale (2002) in a study of ABC development drawing from ANT reported that a consultant actor plays a key role in the development of ABC. It was reported by Christensen (2002 and 2005) that consultants had contributed to the implementation of NPM reforms. This is the case in NSC, as most MCS innovations in the organisation were introduced by consultants. In a study of the role of international consultants in public sector reforms in Sub-Saharan Africa, Fyson (2009) argues that private sector consultants are increasingly involved in shaping the reform process in these countries. A similar observation was made in this thesis where private sector consultants were instrumental in shaping the public sector reform network in Nigeria and the NSC.

Latour (1987) identified technology as a non-human actor in the ANT framework. In this thesis computers and other advancements in information technology can be viewed as global actors. It has been reported by various scholars that advancement in information technology, such as the advent of the PC, enterprise resource planning systems, e-commerce, the internet, electronic data interchange and electronic meetings, had facilitated changes in MCS (Burns *et al.*, 1999; Burns and Scapens, 2000; Burns and Vaivio, 2001). Jones and Dugdale (2002) reported that computer software played a key role in ABC's diffusion. In MCS ANT studies, Briers and Chua (2001), Jones and Dugdale (2002) among others conceptualised computers as actors.

Having identified the various global actors above, the next sub-section identifies the local actors that made up the public sector reform network in Nigeria.

8.2.2 The Local Actors

As presented in the theoretical framework (figure 3.1 chapter three), the local actors comprise the national actors (which include the Nigerian government and general public) and local actors (which comprise the NSC top management, middle and junior staff). These actors are similar to those identified by Gao (2005) in a study of China's strategy for telecommunication transformations. In his study, Gao identified the state, public and society and the operators as three groups of local actors.

The state is an actor because in developing countries (including Nigeria), the state is central economically as it is the major source of capital formation, controlling a large portion of the gross domestic product and employment (Hopper *et al.*, 2009). The Nigerian government embarked on a massive expansion of its public sector during the 1970s (Olukoshi, 1993a). During this period most large enterprises in Nigeria were owned by the state. However, the economic crises in the 1980s as discussed in chapter four resulted in the government turning to the international financial community for assistance. As a condition for this assistance, the state was enrolled and mobilised into the public sector reforms actor-network.

The Nigerian general public were also mobilised into the public sector reforms network thereby constituting local actors. Though not directly involved in the reform policy initiatives, the public were seriously affected by the crisis and therefore accepted the reform as a solution. The Nigerian unemployment rate rose significantly and the living standards of many Nigerians deteriorated significantly during this period (Olukoshi, 1995). The government mobilised public enterprises to adopt public sector reforms. The NSC top management, being the managers of one of the Nigerian public enterprises, were mobilised into the reform network. This group of actors is responsible for implementing government policy in the NSC. For public sector reforms to be effective, the middle managers and lower staff have to be interresed, enrolled and mobilised (Latour, 1987). The middle managers' group of actors oversees the day-to-day affairs of the organisations.

Changes in MCS that are part of NPM need to be accepted and implemented by this group of actors, as they are the actors that work directly with the systems. Lower level employees carry out the day-to-day operations of the organisations. They need to understand and work with the new changes introduced by the reform. In addition to the various human actors identified above, it is argued that non-human local actors such as infrastructure, maintenance and expertise also play a role in the reform network. These groups have played a part in constructing and shaping the reform network. Rhodes (2009) made a similar observation when he identified these structures and systems as non-human actors.

The list of actors can be endless (Latour, 1987). Bloomfield and Vurdubakis (1999) noted this as one of the limitations of ANT when they argued that one of the challenges posed by ANT is when to delimit the network as there is the problem of succumbing to the temptation to include the entire world, or concentrating on few actors, and consequently, missing relevant actors. In order to avoid the problem presented by Bloomfield and Vurdubakis, this study followed actors as outlined above. These actors were identified as being critical in forming the Nigerian public sector reform network. Table 8.2 presents the key actors identified and their roles in NSC's reforms.

Table 8.2: Key Actors Identified and their Roles in NSC's Reforms

Group of actors human/non human	*Global/local*		*Role*
Human	Global	World Bank/IMF	Lender of last resort
		Consultants	Expertise engaged to help in reforms.
		International creditors	Provide credits to the government and Nigerians
	Local	Nigerian government	Responsible for running of the country and its economy. Formulates policies and ensures their implementation.
		General public	Ensure the government policy is favourable to them.
		NSC top management	Responsible for smooth running of their public organisation.
		NSC middle management	In charge of the daily operations of the organisation
		Other staff	In charge of the organisation daily operations
Non-human	Global	Nigerian economic reforms	Technology of change
		Economic crisis	Intermediary that redefine the Nigerian government punctualised actor
		SAP1/PSR/NPM doctrine	Technology of change
		Strategic planning	Pave way forward for NSC (change technology)
		Sun account	Technology of change
		TQM	Technology of change
		ABC	Technology of change
		PMS/MIS/BSC	Technology of change
		Computers	Smooth running of operations and technology of change.
	Local	Infrastructure (electricity)	Ensure operations run smoothly
		Premises	Help in ensuring business is conducted as usual.
		Maintenance	Help human and non-human conduct their functions
		Expertise	Help in delivering effective products and services.

8.3 The Translation of Nigerian Public Sector Reforms: Global vs. Local Actor-Network

The Nigerian economic, political and social systems have undergone various transformations as discussed in chapter four. These changes have influenced and brought changes to Nigerian public sector organisations (including NSC). As presented in the above section, these reforms emanated from the developed countries and were transported to developing countries through global actors such as the World Bank and IMF, and International aid agencies (Uddin and Tsamenyi, 2005; Hopper *et al.,* 2009). Apart from these global actors, the local actors involved in the reform process have also been identified above.

As argued by Latour (1987), to fully comprehend the role of actors necessitates examining the roles they play in the construction of the network. This will require tracing and following the actors in order to understand the process of translation. In this section, how the Nigerian public sector reforms network was constructed is examined. This is necessary to understand how the various actors came together and produced the actor-network of the public sector reforms through the process of translation. Translation is the process of actor-networks building (Callon, 1986; Latour, 1987; Brown and Capdevila, 1999; Hassard *et al.*, 1999). In other words, translation provides a forum for innovators or actors to agree that the network is worth building and defending, and as discussed in chapter three, translation involves four processes: problematisation, interessement, enrolment and mobilisation (Callon, 1986). Alcouffe *et al.* (2008) adopted the concept in examining the diffusion of the George Perrin Method and Activity Based Costing innovation in France. Other accounting studies including Chua (1995) and Lowe (2000) have examined accounting change through the process of actor-network translations.

The translation of the Nigerian public sector reform network through the process of translation is discussed in this section. The analysis presented in chapter six showed that there were two major reforms. As a result the discussion of the process of translation will centre on how these two reforms networks were built.

8.3.1 The First Reform Network (1981-1993)

From the perspective of ANT, MCS are products of a network, and, to understand how they are produced, we need to analyse how the networks are built and how MCS are created (Chua, 1995; Wickramasinghe and Alawattage, 2007). As presented in chapter six, NSC was established in the 1970s and is one of the biggest public enterprise in Nigeria. NSC is charged with overseeing the government's participation in the industry it operates and carrying out all businesses in the sector. The NSC is also charged with the responsibility of providing product to Nigerians. The case findings show that the duties assigned to the NSC have made it the most significant public organisation in Nigeria. This was reiterated by one senior manager interviewed as:

> Whatever is happening in Nigeria affects the NSC and whatever is happening in the NSC is of interest to the general public, the politicians and other bureaucrats.

Change in NSC was problematised in 1981. A tribunal was set up by the President Shagari administration to investigate the accusations made against the NSC regarding misappropriations of sales figures. The tribunal reported various irregularities, among which were improper accounting records and improper structure (see section 6.3.1). The report led to the government restructuring the NSC into nine subsidiaries. However, the findings reported in chapter seven show that progress in implementing appropriate MCS was never achieved. Furthermore, in 1985 the NSC was restructured into five semi-autonomous sectors. This reorganisation was done in order to make the NSC more efficient and effective. However, the findings reveal that similar to the earlier reform, this latest restructuring did not lead to any changes in the MCS. Previous studies (Burns et *al.,* 1999; Burns and Scapens, 2000) had argued that change in organisation structure drives MCS change but the findings reported in this study show that although the structure of NSC changed, this was not accompanied by changes in the MCS. One possible explanation for this is that the change was politically motivated and that the political authorities who imposed the new structure had limited knowledge of the role of MCS.

8.3.1.1 The Formation of the Nigerian Public Sector Reforms Global Network

A significant change in the MCS took place in 1986, driven mainly by the global actors who had knowledge of the role of MCS. These changes were problematised following the Nigerian government's adoption of the Structural Adjustment Programme (hereafter, SAP) in 1986. This problematisation is similar to that reported by Preston *et al.* (1992). In the studies of Preston *et al.,* changes in MCS were problematised following the debate on conditions facing the National Health Service (NHS) about the level of funding, management and responsibility of doctors and administrators. Latour's (1987, p. 258) rule six emphasises that we "study the length of network thus being built," and Christensen's (2005) recommendation that, to better understand public sector reforms, an understanding of how the path to those reforms began is beneficial. Thus, how the first Nigerian public sector reforms were developed is discussed and analysed below.

As presented in chapter four, Nigeria, an agricultural country discovered oil in commercial quantity in 1956 (Roberts, 1998; Uche, 1992; Ihonvbere, 1998; Bezanis *et al.,* 2000). In the 1970s, oil become the main source of revenue for the government and the increase in the international oil price saw the Nigerian government engaging in various expansion projects, such as expanding the manufacturing sector, state-led industrialisation, increasing external borrowing, increasing civil service salaries, increasing spending on infrastructure, public sector expansion and other social programmes (Lewis, 2006; Olukoshi, 1995, Abulraheem *et al.,* 1986; Adedipe, 2004; Bangura and Beckman, 1993). Callon (1991) argued that intermediaries bring actors into relationships. The oil revenue acting as an intermediary brought the Nigerian government, external creditors, Nigerian public, public sector organisations, free services, infrastructure and other actors into an actor-network. At this stage, the Nigerian actor-network can be viewed as a punctualised actor (Law, 1992; 2003). Punctualisation refers to the combined effect of all the actors in the network (Law, 1992; 2003). In other words a network is the responsibility of one individual actor but instead it is the collective responsibility of all the actors. When this network breaks down then punctualisation ceases to exist.

As presented in chapter four, a drastic financial crisis hit Nigeria and that redefined the Nigerian government's punctualised actor network, bringing in other actors that would not have been brought into the network otherwise (Callon, 1991). The Nigerian government, external creditors and the Nigerian general public became visible actors in the network (Law, 1992). The Nigerian government, as the focal actor, enacted an economic and stabilisation act in 1982 (Olukoshi, 1995; Iyoha, 2004). The economic and stabilisation act was presented as an obligatory passage point for the network being built by the government. The term ‘obligatory passage point’ refers to a common solution presented by the main actor to other actors in the network (Callon, 1986). In other words, it is a common path through which all the other actors interests must pass through. The economic stabilisation act thus became the path through which the building of the network occurred.

Further progress in redefining the Nigerian actor-network was not possible and new actors were enrolled and mobilised into the network. System builders built networks by combining technical, social and economic elements; these elements, together with the builders, are at the same time constituted and shaped in those networks (Heeks and Stanforth, 2007). The Shagari administration enrolled the IMF (global actor) in 1983 to examine the economy and put forward solutions (Olukoshi, 1995). The IMF and the World Bank were enrolled further through the government’s application for an Extended Fund Facility and structural loan (Bangura, 1987; Olukoshi, 1995).

The IMF and World Bank did not accept the Nigerian government’s obligatory passage point; rather these actor groups presented their innovation, i.e. SAP, as the way forward, thus serving as a counter actor for the Nigerian reform network. For the innovations of the Nigerian government’s reforms to be successful, the government had to fight and defeat the counter actors (IMF and World Bank) and their programme (Alcouffe, *et al.*, 2008). Unfortunately this was not possible as the IMF became the focal actor and began to construct its own network and enrolled and mobilised the external creditors. The IMF became the spokesperson for the network (Latour, 1987).

SAP was not accepted by the Shagari administration and the general public as an obligatory passage point, and the administration was overthrown in 1983 in a *coup d'état*. Buhari became the head of state, and the administration continued negotiating with the IMF and World Bank actor-network. Interest alignment with IMF and World Bank actor network and the Buhari administration was not reached before the administration was overthrown in 1985. The Babangida administration became the next actor and the new administration continued negotiations with the IMF and World Bank actor-network. The administration opened a public debate on issues of SAP to the Nigerian general public. This debate can be interpreted as an interessement device (Callon, 1986; Latour, 1987) for enrolling and mobilising the general public to accept SAP as an obligatory passage point.

After several negotiations and manoeuvres, the Nigerian government was enrolled and mobilised into the IMF SAP network. Thus, the regime signed up to the authorship of SAP texts. Further progress was made when the government manoeuvred the general public actor into accepting SAP as the obligatory passage point by interpreting the outcome of the public debate in SAP favour. The spokesperson of the general public rejected SAP (Abdulraheem *et al.*, 1986; Bangura and Beckman, 1993; Jega, 1993; Yahaya, 1993; Olukoshi, 1993a), but the government interpreted the outcome differently.

The above shows that the process of building and changing of networks is dynamic and political in nature as actors put forward favoured solutions and contest these (Stanforth, 2006). The Nigerian government was enrolled and mobilised into the global SAP network constructed and translated by the IMF and World Bank. The government claimed that the Nigerian SAP was developed by Nigerians for Nigeria; however, the Nigerian SAP was like that of any other developing country, engineered and imposed by the international financial community (Olukoshi, 1993, 1995; Zayyad, 1990; Jega, 2000). Thus, a global SAP reformed network was constructed following the enrolment and mobilisation of various human and non-human actors (Callon, 1986; Latour, 1987).

Briers and Chua (2001) argued that change is the outcome of many diverse and fluid interconnections between global and local networks of actors. The adoption of SAP saw the focal actor changing from the IMF to the Nigerian government. The displacement and replacement of the two main actors, took about four years to achieve. The interest of the Nigerian government, the IMF and World Bank, SAP, Nigerian general public and the external creditors were aligned after several negotiations and translations. The adoption of IMF and World Bank reforms found in this study is inconsistent with the findings of other MCS studies in developing countries. For instance, Uddin and Tsamenyi (2005) reported that SAP reforms were imposed in Ghana by international aid agencies and the IMF and World Bank.

The case study findings reveal that as public sector reform was one of the key measures of SAP, the adoption of SAP problematised public sector reforms in Nigeria in general and NSC in particular. This finding is consistent with other findings reported by Uddin and Hopper (2001); the studies of Hoque and Hopper (1994) and Tsamenyi *et al.* (2002) that demonstrate the influence of the World Bank and IMF and international agencies in the public sector reforms of developing countries.

The findings show that other actors such as top management of NSC included were mobilised into the SAP reform global network. The mobilisation of public enterprises top management may be seen as responding to the agenda of the government. In Nigeria, the ruling government and its policies have a significant influence on public sector organisation. In most cases, the top management of public enterprises are appointed by the head of government (see Tsamenyi *et al.,* 2009). Thus, top management of public sector enterprises interest are more aligned to the political machinery than to the organisation they are managing.

8.3.1.2 Translation of the reforms at the local level

Lowe (2000) argued that problematisation would need to be carried out at a local level for the broader public sector reforms to enter into the operations network of the public organisation. As discussed in section 6.3.2, the NSC top management problematised SAP broadly and began constructing a local network to reform its internal structures, processes and systems. Progress was made in the construction of the local network when the top management enrolled Arthur Anderson consultants (global actor) to provide the expertise on how to reform the NSC. According to an NSC senior manager, *"the NSC employed consultants to help us act as a third eye"*.

As noted in the previous section, international consultants were mobilised into the NPM actor network through their services, and they sold these reforms to other organisations. Christensen (2005) reported that international consultants have developed a new status as the 'third hand' in public sector reforms. An emphasis of NPM doctrine identified by Hood (1991; 1995) was the introduction of private sector practices such as strategic planning and accrual accounting into public sector organisations. Indeed, the findings reported in chapter seven show that the consultants (including Arthur Anderson) presented strategic planning as an obligatory passage point for the NSC reformed network. This is consistent with the assertion made by Humphrey *et al.* (1993), Hood (1995) and Olsen *et al.* (2001) that MCS change (private sector method) is widely accepted as a way of strengthening financial accountability and controlling scarce resources within public sectors.

A strategic plan was drawn up for all Strategic Business Units identified in the NSC, and a new mission was formulated towards making the NSC an efficient, profitable and prudently managed commercialised organisation. A manager noted the following:

> I can remember in 1987 we carried out financial projections as well as strategic direction of NSC. Our first strategic plan for the next five (5) years was developed in 1987 to address our needs for those years.

It can thus be argued from the above that the NSC local actors followed the global actor through strategic planning (Wickramasinghe and Alawattage, 2007). Networks become stronger with the enrolment of human and non-human allies (Latour, 1987). The findings show that interessement devices, such as salary increase, more responsibility, freedom in activities and job security, were used to interest, enrol and mobilise middle managers and lower level staff into the local network. The alignment of these groups of actors to the network can also be interpreted as their weakness to reject top management's proposals. This was summarised by one junior interviewee as: *"Resistance to top management initiatives can lead to severe consequences such as job losses"*. Thus these groups of actors have limited influence in shaping the network.

The findings show that further progress in the formation of local network was made when a new actor was introduced into the network. In this case the Commercialisation, Reorganisations and Capitalisation (Hereafter, CRC) project actor was introduced to provide expertise and help the NSC management and the SBUs to implement the new mission. The team consisted of the consultant and some experienced NSC staff. This team played a key role towards reforming the NSC, and became the spokesperson for the NSC reform network. As suggested by an interviewee, this group of actors "drew up new structures and new processes and new systems for the NSC and its subsidiaries." Furthermore, the government restructured the NSC in 1988 into a holding company with twelve subsidiaries (Internal Documents). The reorganisation was described by the head of state General Babangida as establishing the NSC as a financially autonomous and commercially integrated company (internal document), thus strengthening the CRC actor-network.

As discussed in section 4.4.2, the Nigerian government promulgated the Privatisation and Commercialisation Decree no 25 in 1988 (Anya, 2000; Asaolu *et al.*, 2005). The decree established the Technical Committee on Privatisation and Commercialisation (hereafter, TCPC) as the implementation agency with powers to supervise and monitor the programme (Commercialisation Decree no 25). The NSC was listed among the enterprises to be commercialised. However, the evidence shows that the TCPC network and the NSC reform actor network worked on a separate platform. The TCPC prepared documents about the manner in which NSC should be commercialised (TCPC, 1993); however, the NSC did not sign the contract. This finding is similar to the finding reported by Uddin and Tsamenyi (2005), in which the enterprise they studied in Ghana bypassed the monitoring agency set up by the government.

The failure of the NSC and TCPC actor-networks to enrol each other weakened the translation of reforms in NSC. Furthermore, progress in implementing the reforms was not achieved as the consultant left at the end of his contract. A manager described this as:

> The reform comes and they talk about changes and the staff like it. But once the consultant left, that was the end of it, the usual continues, life goes on as usual, nothing changes.

The finding reveals that the NSC local network encountered more controversies when government support was withdrawn, through not realising the autonomy promised and recapitalisation and also the abandonment of SAP in 1994. Thus the local reforms network of aligned interest of reforming the NSC to become a commercial, efficient and autonomous company disintegrated, albeit temporarily. The network was betrayed and as it could be argued that at this stage translation became treason (Callon, 1986).

The traces of the CRC network remain in a Customer Unit department (hereafter, CU). As presented in chapter six, the CU was formed by the NSC top management to continue with the CRC ideas. However, the CU actor group failed to enrol and mobilised new allies that would have seen to the implementation of the CRC initiatives. The processes, systems and other initiatives failed to be translated into the NSC activities. A manager described this thus:

> We did the reform but to implement it became a problem. The blueprint was done but implementation is another thing.

The failure of CU to implement the new initiatives can be attributed to the lack of an interessement device. The CU saw the top management mandate as the main interessement device for the reforms to take place. A similar finding was reported by Alcouffe *et al.* (2008). Alcouffe *et al.* reported that part of the reason for the failure of the George Perrin Method to be translated in France was that its innovator relied on commercial interessement only. Figure 8.1 below depicts the NSC actor-network (the global and the local actor-network).

Figure 8.1: NSC reforms actor-network

The above discussion and analysis suggest that though innovations had been introduced by various actors, however for such innovations to be successful the interests of various actors need to be aligned (Chua, 1995). The NSC local network, problematised public sector reforms as a result of the government's adoption of SAP which required it to transform itself. However, the NSC top management was limited to setting up a reforms agenda through consultants and therefore could not fully implement such reforms. Strategic planning and decentralisation were achieved, but the failure of the government to grant NSC full autonomy and recapitalise it seriously affected the achievement of the NSC local network reform agenda. The next subsection presents the second wave of public sector reforms in Nigeria.

8.3.2 The Second Reform Network (2003-present)

As presented in section 4.2.2 the first wave of public sector reforms ended in 1993 and the TCPC submitted it reports to President Babangida (TCPC, 1993) and NSC was not commercialised. Little was done by the Nigerian government on public sector reforms during the period 1994 to 1998 (Odusola, 2004) and there was no drastic change in the NSC. However, Activity-Based Costing (hereafter ABC) and Total Quality Management (hereafter, TQM) were introduced in 1997 and 1994 respectively. As commented by one interviewee "their impact was not drastic."The translation of these techniques will be discussed in the next section.

Public sector reforms were revived fully following Obasanjo's second term in office in 2003. The actors that constituted this reform are followed around to understand the transformation process (Lowe, 2001). As presented in section 4.4.2, during Obasanjo's first term, his administration pursued debt relief and an arrangement was made with the IMF to implement economic reforms. However, the reforms were abandoned as the government missed some key targets (Lewis, 2006). Following the re-election of Obasanjo, a new economic reformed network was set up, headed by the Minister of Finance. The Minister of Finance came from the World Bank, where she worked for many years and rose to the position of Vice President in the bank. An appointment of a senior member of staff of the World Bank enrolled and mobilised the IMF and the World Bank into this new global sociotechnical network. A manager reflected on this as:

> That is what we called in those days agents of imperialism, neo-colonialism; they just came to be used in destroying our economy. These are the kind of human beings they want; they brought them to Africa to exploit us. That is why when they trained you to believe that their own is always the best and you always operate like them.

This new global network serves as a problematisation for the second major reform in the NSC. The NSC began its own internal reforms: a manager observed:

> The NSC new reform was more or less inspired by the government reforms, the NSC top management produced the initiatives. We came with our own - the one we want to do to get out without government imposing her own reforms, and the one that we can prove to the government that, look, we can do this one and we can survive; because we had the money we decided to do that. It is a bandwagon attempt because we will not stay in isolation in a global world; that why we began the new reforms.

The GMD at the time of Alpha confirmed that the reforms were in response to government mandate to the NSC to achieve sustainable growth in the sector they operates (Internal Document).

An actor network is built through the process of translation (Callon *et al.*, 1986; Brown and Capdevila, 1999). Like the previous reforms, two consultants (global actors), were enrolled by NSC top management to help transform the NSC. A manager explained the aim of the reforms as:

> We are operating locally but we want to be a World-Class company like our international peers; we want our structures to be like them. If you look at our structure we are not like them, but we are aspiring to be so. We want to restructure like a commercial organisation.

Similar to the previous reform, a group of NSC staff was engaged to work with the consultant. The staff were asked to put in formal application for this role, and those who did apply sat an examination and attended an interview; those who were successful were then offered the opportunity to work with the consultant. This actor group became enrolled and mobilised into the new reform network. The new local reformed network was named project Alpha (Reform document).

The consultants, together with the staff working with them became the spokesperson for changing the NSC systems (including MCS, processes, structures and procedure). This actor group problematised the reforms through reviewing the NSC's processes, systems and procedures, and identifying problems and solutions. Changes in systems, processes and procedures were presented as the obligatory passage point in the network (Callon, 1986). The change was presented as the survival of the NSC, in which its status depends on radical transformation. A manager noted the reforms carried out as follows:

> Alpha has 17 projects; there was a project for administration, a project for services, a project for material management, a project for finance and accounts transformation, and projects for all processes, so there were 17 projects; so all the 17 project consultants were handling them.

The finding in the second reform was similar to that from the first reform discussed earlier. Progress was made in building the network through the consultant actor group's various seminars, training, in-house publications, publications in the newspapers and placement of several notices on various NSC notice boards (various interviews) to push the change agenda. This can be seen as the interessement device which was used to lock the other actors (middle management and top management) into the Alpha network (Chua, 1995). Furthermore, the consultants interacted with staff to find out what the staff problems were and what the preferred solution should be. This also serves as an interessement device. However, this interessement device worked negatively in some cases; some staff viewed it as a way of making their position unimportant and thus leading to termination of their employment.

The evidence shows that at the time all the actors in the network agreed that the way forward for the NSC is for it to transform itself radically. The interests of the middle managers, lower level staff, the government and the project team were aligned (Latour, 1987). All the actors were enrolled and mobilised into the new reform socio-technical network constructed by the consultants. Non-human actors such as NPM doctrine, and new MCS such as a new Performance Measurement System (PMS), Management Information System, Balanced Scorecard performance measurement system, were drawn upon toward achieving the change. Change in MCS is considered to play a central role in shaping the perceptions of organisational actors and in contributing to the spreading of the culture of quantification and rationalism (Broadbent and Guthrie, 1992; Ogden, 1995; Parker and Gould, 1999). Other non-human actors, such as infrastructures which include computers and networking, were drawn upon toward achieving the change. The implementation of project Alpha MCS initiatives is discussed in the next section.

When the diffusion of innovation is successful, the innovation acquires a solid appearance and it becomes a blackbox which cannot be questioned, at least for some time (Latour and Woolgar, 1979). The empirical findings showed that the project

Alpha actor network was successful at the beginning and many initiatives were implemented. However, it failed to become a blackbox. Similar to the strategic planning network described in the above subsection, the project Alpha actor network was weakened when the GMD that introduced it was retired following a change in government. Furthermore, the consultant's contract expired, thus leaving the NSC without having implemented most of the innovations proposed. The findings reveal further that the implementations of some of the innovations were abandoned halfway through the process. In addition, the new elected government of Yar'adua has a different idea regarding how the NSC should be reformed; thus the government support for Alpha was withdrawn. Following the government's withdrawal of support, consultant contract expiration and the retirement of the GMD, the network disintegrated. The middle management and the lower level staff unsubscribed to the network. This can be confirmed from the following statement from a member of staff interviewed:

> You know the Nigerian thing is like after Alpha, everything about it has died. The staff takes the innovations as project Alpha activities, and project Alpha has finished so everything about it has finished too.

This can be attributed to the interessement devices used by the project team actor group. The team relied on enrolling staff through seminars, notice boards and publications. They did not enrol other blackbox actors, such as the internal consultants (TQD), engineers and accountants. These groups of actors were not properly defined and interessed hence the disintegration of the network (Latour, 1987). The project team identified all staff as separate, not belonging to a network; thus the same interessement device was used for all the staff. Callon (1987) noted that different interessement devices are needed to bring actors into relationships with one another and shield any possible competing relationships with other entities. The failure of the project team to identify and enrol blackbox actor networks into the network weakened the stabilisation of Project Alpha actor network.

Nevertheless, using ANT we were able to explain how the reform networks were constructed at the global level and subsequently translated at a local level, which led to the creation of a local network, with subsequent change in MCS. However, the findings reveal that all these changes were problematised during a strong reform oriented government. For instance, strategic planning and CRC networks were built during the administration of Babangida when SAP was adopted and Alpha during the administration of Obasanjo. Furthermore, strategic planning was not fully implemented as a result of the government's failure to grant NSC autonomy and the loss of the government interest in SAP. Project Alpha was abandoned when the new government proposed a new reform agenda. The argument here is that, although in ANT power is conceptualised as an effect of a network (Callon, 1986; Law, 1992), in this case the government has an authoritative power which shaped and reshaped the network (Uddin and Tsamenyi, 2005). Actors such as the NSC top management signed up to any government agenda; at the same the middle managers and lower level staff signed up to whatever reform was introduced by top management without any negotiations or resistance.

In the next section, the translation and inscription of new MCS introduced in NSC are analysed.

8.4 Actor Network and Management Control Systems Change

In the above section, we analysed and discussed how the Nigerian public sector reforms global network and local networks in the NSC were constructed. The findings show that these networks produced diverse MCS. Various scholars, such as Lowe (2000a; 2000; 2001), Briers and Chua (2001), Alcouffe *et al.* (2008) and Preston *et al.* (1992) had drawn on ANT to study MCS change in different enterprises. These studies conceptualise MCS as technology and demonstrate that MCS are products of a network of relationships between human and non-human actors. In line with this argument, this thesis conceptualises MCS as technology, which is the product of human and non-human actors (Latour, 1987; 1988; Callon, 1986). The translation and the inscription produced by MCS introduced in the NSC are discussed, beginning with the earlier MCS introduced to the most recent.

8.4.1 From Budgeting to Strategic Planning: a Case for Management Control System Change

The findings of the thesis reveal that, prior to the adoption of strategic planning in NSC, the main control mechanism in the organisation was budgeting. Otley (1999) asserted that budgeting is a central plank of the control mechanisms of most organisations, because it is among the few techniques that have the capability of integrating various organisations' activities into a single coherent summary.

Strategic planning is implemented in the public sector in order to improve performance and accountability (Kim, 2002). As presented in section 7.3.2 and the above section, NSC adopted strategic planning toward preparing the organisation for commercialisation, and was geared towards improving its performance, profitability, management and accountability. NSC did not adopt this concept because of first-hand experience that it would work; rather it was adopted through the enrolment of various human and non-human actors. The strategic plan was produced as a result of the relationships between the NSC top management, middle management, lower level staff, consultants and strategic planning texts. Latour (1992) stressed that innovation is developed through a network as a consequence of the enrolment of human and non-human allies. As discussed in the above section, strategic planning was presented as an obligatory passage point by Arthur Anderson and Co (global actors). Seminars, workshops, training and meetings were conducted with the NSC top management, middle management and lower management in an effort to interest, enrol and mobilise them into the network.

The GMD at that time noted:

> We all went back to school and in the course of the year over 200 of our top managers and senior staff including myself have been through the two-day strategic planning methodology school. The result was we all understand the concept and use the same planning jargons throughout the corporation. We all participated in several lively monthly planning workshops which brought together planners and line executives to exchange information on the progress of the process (Internal Document).

The enrolment and mobilisation of various actors groups resulted in the NSC's adoption of strategic planning. The NSC main strategic business areas were identified and integrated into the NSC budget. This finding is consistent with assertion made by Merchant and Van der Stede (2003) and Anthony and Govindarajan (2007) that strategic planning provides a framework for developing an effective annual budget, and serves as a powerful action control which forces managers to think about the future, make decisions in advance and align their interests with the organisational long term strategies

The evidence also shows that the strategic plan and budget enable the NSC to see what its core areas are and what needs to be improved or changed. Strategic planning and budgeting became central to change in the NSC. The GMD at that time highlighted this as follows:

> …mission statement emphasised commercialisation, profitability, integrity, funding autonomy and internationalisation in our business operations. Accordingly, our planning was undertaken around these "givens" at both the corporate [head office] as well as the SBU levels. By the time we had gone through all the phases of strategic planning process and evolved our strategic plans, the concepts behind these key words – commercialisation, profitability, integration and internationalisation –had become a matter of faith. We believe in them we were united in our resolved to actualise them in NSC (Internal Document).

This finding is consistent with those reported by Lowe (2000) who found that accounting techniques together with other devices were central to the process through which change was made in the hospital he studied. Similarly, Anderson and Lanen (1999) reported that, following Indian's economic reform in 1991, enterprises perceived budgeting as being more meaningful, realistic and useful, especially when forming strategy.

The empirical findings show that other innovations, such as the changes in systems, processes and procedure necessary for NSC to attain its mission were not translated following the non commercialisation and recapitalisation of the organisation by the government. This was described by a manager as:

> You know there is nothing like commercialisation…all this noise about it by the government is just being done; we cannot set our own price and we cannot go out and borrow. How can you then call us a commercial entity?

The above evidence is consistent with ANT explanations that networks become stronger and stronger only with the enrolment of allies (Latour, 1987). The government's non release of its grip on the NSC contributed to the NSC not achieving the efficiency and effectiveness sought by the reforms hence the weakening of the network.

The practice of strategic planning and budgeting has continued up to date in the NSC. Each year the NSC produces a three-year plan and a yearly budget for all units and departments (see section 7.3.2 for the analysis of NSC's strategic planning and budgeting activities). This is consistent with the four principal purposes of budget proposed by Anthony and Govindarajan (2007), fine-tuning the strategic plan, coordinating the organisation activities, assigning responsibilities to managers and forming the basis of evaluating managers' performance.

Strategic planning and budgeting became a black box in the NSC as they are recognised and widely followed in the organisation. This finding is consistent with Joshi's (2001) finding in a study of 60 large and medium companies in India. He found that all the enterprises studied used budgeting for planning their day-to-day operations and cash flow. Similarly, Sulaiman *et al.* (2004) reported that a high use of budget for planning, control, and performance evaluation remains in India, Malaysia and Singapore.

Lowe (2001) argued that accounting information may be better regarded as inscription. Robson (1992) explained the term inscription as material and graphic representation which make up accounting report. According to Lowe (2001, p. 331):

> It is the ability of accounting to represent and translate aspects of organisation's environment into financial numbers which provides the key to the widespread use of accounting information. A consequence of the ability of accounting to inscribed information in this manner is to enable the "principals" and controllers of the system to accumulate knowledge "at the centre" and at the same time provide a convincing knowledge of the environment. The power of inscriptions is to enable "action at a distance", which is prized by those who would seek to persuade, enrol, and control others.

As discussed in section 7.3.2, NSC's strategic planning and budgeting involved examination of the business environment, identification of areas of strength and weaknesses, business mission development, objective settings and strategies to achieve them. This is similar to the six steps of strategic planning which is linked to the new role of budget identified by Merchant and Van der Stede (2003). The steps are: developing the corporate vision, mission, and objectives; understanding the organisation's standing, its strengths, weaknesses, opportunities and risks; deciding the organisation's diversification strategy, deciding on each of the business unit strategies; preparation of the strategic plan and monitoring of performance and updating the strategies if necessary (Merchant and Van der Stede, 2003). At the end of the process, the NSC's three-year rolling plan with the next year's budget are been produced.

In section 7.3.2.1, it was argued that the budget enabled NSC's top management to exercise control from a distance. For instance, before any SBUs or CSUs expend or carry out any activity, head office approval must be sought. The inscriptions provided by the strategic planning and budget also enabled the government to control the entire NSC from a distance. The government sometimes asks the NSC to work on only 25 percent of its budget. A similar finding was reported by Preston (2006) in a case study of the reduction of the Navojo herds. Preston demonstrated that accounts enabled the government officials in Washington, DC, to take action to reduce the size of Najovo animals.

The literature had suggested that budgetary control can ensure that the overall aims and objectives of the organisation are efficiently and effectively achieved (Anthony and Govindarajan, 2004). However a contrary argument could be presented for the case of the NSC. According to Alcouffe *et al.* (2008), accounting innovations are used by actors to manufacture figures and number inscriptions which become facts, and they manipulate them to serve their own interests. In the case of the NSC, strategic planning and budgeting became blackboxed, an unquestionable technology; however, the inscriptions provided were manipulated by various groups of actors to serve their own interests. Various actors manoeuvred and manipulated the inscriptions to favour one interest rather than another. For instance, very often the government mandates the NSC to carry out duties that are not part of its day-to-day operations. In order to carry out this mandate, the plan and budget had to be manipulated. A manager reflected:

> We are asked to buy military plane, buy eight (8) or so cars for three ministers, where are we going to source the money from? We spend what we don't budget for and which has nothing to do with our operations.

It was noted in section 7.3.2.2, that the top management, middle management and other staff also manipulate the budget to serve their interests. An extra request is demanded as part of a strategy to overcome budget cuts from the planners, manipulate operations figure to enable the day-to-day operation and other sorts of manoeuvres. Thus, the NSC budgeting which was supposed to be a means of control became a means for non-control as it was loosely coupled with day-to-day decision making. This finding is consistent with those reported by Chua and Mahama (2007) in a study of supply alliance using ANT as a theoretical lens. Chua and Mahama found that accounting controls were tied to a variety of actors with diverse interests, and it has become the means of destabilisation. Furthermore, this finding is similar to those of earlier studies on MCS change in developing countries (Uddin and Hopper, 2001; Uddin and Tsamenyi, 2005; Wickramasinghe and Hopper, 2005). For instance, Uddin and Hopper (2001) reported that, in a privatised soap manufacturing company in

Bangladesh, the control in the enterprises was secured by political intervention, often at the behest of trade unions, for party politics rather than commercial ends.

As reported in section 7.3.2, the NSC's budget was highly politicised as it has to be approved by the Minister or the President. It is unequivocal that under such a condition budgeting will become a political tool used to achieve vested political interests (Uddin and Tsamenyi, 2005; Hoque and Hopper, 1994, 1997; Covaleski and Dirsmith, 1986; Wickramisinghe and Hopper, 2005).

8.4.2 The Translation of Total Quality Management in the NSC

Callon (1991) argued that the nature of interaction between actors and their networks is never final; thus, when two translations are linked together they generate a third translation which may bring together other actors that would otherwise have been separate. TQM was an offshoot of the strategic planning actor-network (see section 8.3.1 above). TQM can be seen as part of a much larger network outside the NSC. TQM caught the attention of western enterprises in the 1980s (Briers and Chua, 2001), and during the period many allies were mobilised into its actor-network across space and time in different organisations. The head of the department set up in the NSC to implement CRC innovations (discussed in the above section) learned about the TQM concepts through seminars and texts, and was enrolled and mobilised into the global network. TQM was problematised in the NSC by CU. It was presented to the NSC top management as a way forward for the NSC's inefficiencies and ineffectiveness. The spread of TQM into other organisations and the success stories interested the NSC top management actors.

While TQM was implemented in NSC, evidence gathered suggested that there was little appreciation for it outside the TQM department. According to ANT, for an innovation such as TQM to be successful, various actors with diverse interests within and outside the NSC needed to be enrolled and mobilised (Callon, 1986; Latour, 1987). Middle managers were interessed, enrolled and mobilised into the TQM network through seminars and publications. However, the finding revealed that the enrolment and mobilisation of this group of actors can be viewed as automatic; this is because the non-acceptance of any initiative introduced by top management may have a dear consequence. The TQM was presented as a ready-made technology that could work. Staff were not involved in its translations. For instance, the middle managers viewed TQM as too technical and complex. This could however be attributed to the lack of negotiations with this group of actors on what exactly TQM is and how it can aid them in their work. Furthermore, lower level staff were not involved in the TQM translation; thus they do not understand the TQM concept.

As the process of the implementation of the TQM continued in the NSC, other actors such as ISO certification were enrolled into the network and some of the SBU became ISO certified. CU continued conducting seminars, training and process improvement. The CU department was renamed Total Quality Department (hereafter, TQD). TQD staff became the spokespersons for TQM in Nigerian public sector organisations. The staffs were invited to other public sector organisation to deliver seminars on TQM. This is similar to the findings of Briers and Chua (2001) that local actors are not always local as they cross organisational boundaries and aid constitute global actors discourses.

The appointment of a new GMD who did not accept the concept of TQM caused a major disruption to the TQM actor-network. The TQM actor network was betrayed further when the head of the TQD was retired. The loss of one of the TQD's main allies resulted in TQM almost being abandoned. This finding extends an earlier finding reported by Olowo-Okere (1999). Olowo-Okere investigated the government's financial control system in Nigeria, by examining the impact of military rule on the changes in Nigeria's government financial control systems and accountability. He found that the majority of the changes made by the military government were formalistic because of the political instability created by the military which disallowed continuity. This finding is extended to a micro level NSC, which, as a result of political instability, witnessed changes in its top management, which resulted in discontinuity or rather stagnation of the TQM which had been introduced. This finding can also be extended to other MCS innovations introduced in the NSC.

The TQM did not become taken for granted in the NSC, nor has it disappeared. TQD and quality departments remain and these actors continue to pursue TQM concepts, albeit through a weak network. The TQM departments continue with process improvement but the network has become weaker and weaker (see section 7.4.3.1). Other allies, such as the middle managers, ISO certification and lower level staff, have ceased to subscribe to the TQM network. This finding confirms the arguments of Briers and Chua (2001) that the success or failure of accounting innovation is a fragile construction that turns on the strength of different ties tying jointly many heterogeneous elements. The failure of TQM to enrol lower staff and the lack of support from the new GMD and the middle managers, have led to the limited success of the TQM.

The case finding revealed that TQM remained in the NSC because of the presence of the TQM department. Furthermore, as presented in section 7.4.3, TQM was revived in 2007 following the economic reforms controversy that opened up public sector reforms in the name of Alpha in 2004. The implementations of project Alpha initiative were handed over to TQD. Would the TQD this time around be able to implement project Alpha initiatives successfully? The case study finding was negative. As discussed in the above section, this is as a result of the new elected government's different reform agenda.

8.4.3 Sun Account Translation

The Sun account system was introduced into the NSC in 1991 (see section 7.4.2). This system was adopted, not because the NSC had a prior knowledge that it would work; rather it was introduced through the process of problematisation, interessement, enrolment and mobilisation of various human and non-human actors (Callon, 1986) to help the NSC improve its accounting functions.

By enrolling allies, the NSC was able to mobilise resources to sustain commitment for the Sun account (Stanforth, 2006). Allies such as the government, NSC top management, middle managers, lower level staff, World Bank, Peat Marwick Consultants, Sun account system and computers were enrolled and mobilised into the construction of the Sun account technology. The World Bank provided financial resources to the NSC to review and improve its accounting systems. Peat Marwick Consultants presented the Sun account system as the obligatory passage point, and this actor group, together with NSC staff (who were seconded to work with them), adapted the global Sun account system to suit the NSC needs and implemented it throughout the organisation. The top management interest was aligned with the consultants, because as noted by a senior manager interviewed “the lack of proper accounting records had become an embarrassment to NSC’s management.” The Sun account system was enrolled and displaced from the United Kingdom to the finance and account department in the NSC’s subsidiaries and head office in Nigeria.

Other staff were trained on its usage, and the implementation of the system in the accounts department enrolled and mobilised the staff in that department. However, the Sun account system was not fully translated; other key actors such as the internal auditors, marketing staff and planners were not enrolled into the network. Even in the Finance and Accounts department, actors that produced other accounting inscriptions apart from financial reports do not use the Sun account system in their day-today-operations and in producing accounting inscription. The emphasis on the system was more on the production of annual financial accounts. The Sun account system became blackbox within the NSC actor-network (Latour, 1987) since the organisation’s accounting activities are posted onto the system.

The case study finding shows that, although NSC had adopted the Sun account system, its accounting system is still weak. As discussed in section 7.4.2, the system was not used in producing management accounting reports, planning and budgeting report, nor does it hasten the production of the NSC annual financial accounts. According to Latour (1987), the success of a machine lies in the hands of the later user. The later users did not translate the Sun account system further, nor did they translate the other aspects of the system to other actors in the NSC.

8.4.4 Activity-Based Costing

As discussed in section 7.3.1, NSC does not keep an adequate accounting system for control and accountability. This finding is contrary to the finding in other developing countries reported in the literature. For instance, Uddin and Hopper (2001) found in their case organisation that a detailed system of accounting for control and accountability was maintained although these systems were marginal, ritualistic, and de-coupled from operations. The evidence in the case of NSC showed that there was no specific system used in costing products and services in the organisation. Although ABC has been introduced, the system is not used in costing NSC products and services. ABC was problematised in 1997 when the Nigerian head of state, General Sani Abacha, ordered the NSC to provide its administration with the cost of processing it main product.

As with the adoption of the previous innovations, NSC engaged a consultant who presented ABC as the way forward for the organisation's costing problems. This is consistent with the assertion by various scholars that new MCS innovations such as ABC, are promoted to organisations by management consultants (Abrahamson, 1991, 1996; Malmi, 1999; Jones and Dugdale, 2002). The NSC ABC was designed and implemented by the consultant and some internal staff. That is to say, the technology was constructed by various human and non-humans actors through a network of relationships (Latour, 1987; Lee and Hassard, 1999). The planning staff were enrolled and mobilised into the ABC network. Some of the staff were trained on how to input data into the system.

ABC produced inscriptions which were initially discussed quarterly by the subsidiaries using the system. However, the inscriptions were not used in computing processing fees, costing products, performance, cost reduction and pricing. This finding is supported by the finding reported by Van Triest and Elshahat (2007). Van Triest and Elshahat, in a survey of forty Egyptian private enterprises, reported that the traditional and advanced MCS techniques used were limited and that costing is not used in performance measurement, process improvement or cost reduction.

ABC is not appreciated generally in the NSC. The inscriptions were produced for the some SBUs management and kept for record purpose only, not for decision making. The SBUs were not autonomous and the overall NSC operation's actor-networks have not fully enrolled and mobilised accounting technology. The ABC was designed for the production SBUs only; it was not designed for other SBUs and CSUs. Shield (1995) in a study of 143 firms found that top management support, linkage to competitive strategies, linkage to performance evaluations and compensation, training on ABC, ownership of non-accountants and adequate resources are all significantly associated with ABC success. However, in the case of the NSC's production SBUs' ABC, key actors, such as the accountants who in a typical organisation are expected to be in charge of costing, have not been mobilised into the ABC network. Furthermore, the reports are not sent to the departments in head office such as the Finance and Accounts Department and the Planning Development Department; nor are they linked with the production SBUs strategy. Also, the lack of infrastructure, such as a proper working system and maintenance, has resulted in the SBUs being out of date and un-operational in some cases for about two years.

A former NSC top Executive was reported in the newspaper that the NSC's production SBUs were deliberately left to rot. It can be argued that this mysterious actor group who deliberately allowed the NSC infrastructure to decay are the root cause of the reported problems in NSC accounting system. This is consistent with ANT analysis that technologies are produced through the common enrolment of heterogeneous human and non-human actors and when these enrolments fail then the technologies are likely to disintegrate (Latour, 1987; Callon and Law, 1989 Lee and Hassard, 1999). Infrastructures, politicians, ABC, NSC top management, middle managers, lower level staff, professional staff, blackbox punctualised actors, computer maintenance and other actors' interests had to be aligned for ABC innovations to be institutionalised. Unfortunately, this was not the case in NSC.

8.4.5 Management Control Systems presented by Project Alpha

The construction of Project Alpha network was discussed in sections 8.3 above. Project Alpha network enrolled various global MCS technologies. Technologies such as performance measurement systems, System Application and Products in Data Processing (hereafter, SAP1) and Management Information Systems (hereafter, MIS) were enrolled and mobilised into the project Alpha actor-network. This finding is similar to that of Hassan (2005), who found that in the Egyptian health sector reform, management accounting systems were acted upon to reform the sector.

The translations of these systems in NSC are discussed below.

8.4.5.1 Performance Measurement Systems and Evaluations

According to Chenhall and Langfield-Smith (2007), the primary function of MCS is to develop performance measures which will assist managers in planning and controlling their activities. However, in the case of the NSC, as discussed in section 7.4.4, it was found that the NSC's systems of performance measurement and evaluations are weak. Prior to Project Alpha, the appraisal system was the main performance measure used and was based on subjective judgement; it was not linked to the overall NSC performance. For instance, though NSC is making a loss and some of its operations are out of order; at the end of every year, the staff are graded 'good' in their appraisal and they are rewarded by salary increases and promotion.

Performance measurements are one of the doctrines of NPM identified by Hood (1991; 1995), and they have been drawn upon as one of the technologies of change by the Project Alpha actor group. A Performance Measurement System (hereafter, PMS), a global MCS with Key Performance Indicators (hereafter, KPIs), was deployed into the NSC and presented as the obligatory passage point by the global actors, the consultant. Consultants are identified as diffusers of new MCS innovation (See Jones and Dugdale, 2002). The PMS which was top-most driven comes with KPIs. The KPIs were supposed to be drawn from the federal government to the last person on the shop floor.

ANT argues that neither technology nor social characteristics determine the outcome; it depends on the enrolment and mobilisation of various actors (Law, 1992; Lee and Hassard, 1999). As discussed in the above section, the middle and lower level staff were interessed into the project Alpha network through seminars and publications. These actor groups accepted the definition presented by the focal actor (i.e. the project Alpha actor group) that a new PMS with KPIs is the way forward. Each department/units/section has its KPIs, and each person gets his share of it as tasks and

targets, and these are set at the beginning of each year. The tasks and targets are signed by the staff, his/her supervisor and countersigned by the unit manager. The NSC top management, middle managers and lower staff were enrolled and mobilised into the PMS. Most of the staff interviewed noted that the appraisal is more objective than the previous one. Each staff knows his tasks and targets and what is expected of him/her, unlike before. One interviewee commented that: “Tasks and targets are clearer, more specific and direct; everybody can measure his/her own performance.”
The old appraisal system was replaced with the new PMS. The inscription produced by the PMS was used by middle managers and top management for appraisal leading to promotions and other rewards. This finding is similar to that of Wickramasinghe *et al.* (2004) in their study of a partially privatised telecommunication company in Sri Lanka. They reported that the new owners had introduced new management controls and reward systems.

As discussed in chapter 7.4.4, the PMS was designed to reflect the overall NSC performance; this was not achieved as external actors such as the government were not enrolled into the network. NSC management was not given a free hand and they did not receive the necessary support from the government to operate as an independent commercial oriented enterprise. Instead the activities of the enterprises were highly politicised. The finding is similar to that reported by Stanforth (2006) that e-government implementation in Sri Lanka depended on both macro and micro network supports.

Furthermore, the project Alpha actor designed a performance measurement for the entire NSC with KPIs. The new performance measurement was designed around the

Kaplan and Norton four perspectives balanced scorecard, and reflects the entire NSC activities (Kaplan and Norton, 1992, 1996a, 1996b, 1996c). As discussed earlier, the consultant reviewed the NSC systems, processes, procedures, and interviews were conducted by various staff. The BSC was designed based on the outcome of secondary review (still an intermediary), and its implementation was handed over to TQD. The TQD planned to translate it by linking it to the annual plan and budget; however, up to the end of the fieldwork, the BSC had not been implemented.

8.4.5.2 System Application and Products in Data Processing

The Alpha consultant introduced SAP1, an Enterprise Resource Planning System (hereafter, ERP), global technology into the NSC. Consultants are the diffusers of new innovations (Abrahamson, 1991, 1996; Malmi, 1999; Jones and Dugdale, 2002). SAP1 was presented as an obligatory passage point for the increase in efficiency in NSC's processes, transparency and information integrity, and a way of aiding the NSC to achieve its mission and vision (Transformation document). This is consistent with the argument in the literature that EPR systems contribute to increase financial performance and enhance the competitive position of organisations (Curran *et al.*, 1998; Hayes *et al.*, 2001).

The consultant that designed the NSC SAP1 (see section 7.4.5) reviewed the processes the NSC had on the ground, and did a gap analysis; fitted those things the NSC wanted but SAP1 could not do, and what SAP1 does and NSC does not need, and came up with SAP1 for the NSC. The implementation was scheduled to be carried out by the consultant and NSC counterparts' staff, who will work hand in hand. This was scheduled for three years from 2007-2009; however, up to the time the researcher left the field (March 2008), the implementation had not yet started.

There was a mixed message regarding the value of SAP1 in the NSC. A manager whose former organisation had implemented SAP1 noted the following:

> Unlike in the Central Bank of Nigeria, when they were planning to introduce SAP1, they give a guideline for that. You must have a computer on your desk and they provided that, except for lower cadres of staff. Everybody was involved, unlike here; nobody comes to me and asks me about my job, and see how it will fit with the new system. There the system was customised for Central Bank's needs, but here it is not so.

ANT argues that fact construction is a collective process (Latour, 1987). For SAP1 to be implemented and accepted, various human and non-human actors have to be enrolled in its production. Quattrone and Hopper (2005), in a study of two multinational corporations, reported that the configuration of SAP1 in the two organisations resulted in a different control relationship in the organisations. NSC SAP1, if implemented, may produce different control relationships, as many of the actors are not involved in its construction, and many do not have an understanding of the system.

Other managers appreciate SAP1 and believe that, if fully implemented, it will improve efficiency, effectiveness and curtail corruption. This is consistent with McCausland's (2004) assertion that ERP systems are important because they help organisations to capture, edit and process accounting and other related transactions. They enable firms to undertake comprehensive audit trails, automated inventory management systems, automated billing systems, and integrated payroll systems. This means that the political patronage that had become the norm in the NSC cannot be possible; hence the fear by various staff that SAP1 will never be fully implemented.

8.4.5.3 Management Information System

Another MCS technology enrolled and mobilised by the Alpha actor is the MIS, introduced in the first SBU the researcher visited. The MIS was introduced with the essence of having a single consistent database for the whole SBU; it provides information that will aid the SBU management in decision making and in achieving the organisation's mission and vision. The MIS was made up of two sides: the data capture side for data entering, and the reporting side in which management views the data for information for decision making. In the reporting side, some of them have a dashboard where, in a snapshot, management can see indicators - green for good, amber for something that requires attention and red where the performance is not too good. The dashboard was designed around four performance perspectives and KPIs indicators advocated by Kaplan and Norton's Balanced Scorecard (Kaplan and Norton, 1992, 1996a, 1996b).

There was clear evidence of non-appreciation of the MIS in the SBU. Except for the Information Technology staff responsible for it, the MIS technology, although capable of producing several inscriptions, is not utilised by other staff; it is not updated regularly, nor is it used in report generation or for decision making (see section 7.4.7 for detailed discussion of MIS). The consultant did not engage other staff in designing and implementing the MIS. Many of the staff were not given access to the system; hence they were not exposed to the benefits of the MIS. Furthermore, infrastructure such as computers and electricity were not engaged in making the MIS work. For instance, many of the staff voiced their concern regarding the lack of office computers and training on the usage of the computer. The MIS was presented to the SBU as a fixed technology with well-defined functions. The MIS actor network failed to enrol and mobilise other actors that would have aided its survival. Actors such as accountants, planners, engineers and other departments were not enrolled into the network. This finding is supported by that of Preston *et al.* (1992, p. 561) that emerging MCS are not "fixed technologies with a well-defined purpose, which reflects the pattern of responsibility but changing in constructions." MCS initiatives emerged through the process of design and implementation.

8.4.6 Stability of MCS Technology in the NSC

In the above subsection, various MCS initiatives introduced in the NSC were analysed and discussed. Consistent with the finding of Hopper *et al.* (2009), this study has not found any MCS that was locally produced by the NSC. Similar to Alcouffe *et al.* (2008) and Briers and Chua (2001), it can be argued that MCS changes are not linear or foreseeable. Most of the changes have been introduced into the NSC by global actor consultants (with the exception of TQM). This finding adds up to the previous findings by identifying consultants as one of the forces that aid the diffusion of accounting systems in developing countries. Previous scholars reported that accounting systems and practices were imposed by developed countries through colonialism (Wallace, 1990; Parera, 1989; Hove, 1986) and through the operations of multinational corporations, professional accounting organisations and the special conditions of economic aid agreements (Hove, 1986).

Furthermore, most of the changes are problematised following a government policy, directive or request. Consistent with previous MCS change studies reported by Lapsley and Pallot (2000) that found MCS are introduced in public sector organisations for legitimacy purpose. This study found that changes in NSC though were sometimes presented as if they were for efficiency purposes, in reality they have been politically driven and therefore mainly served legitimacy purposes.

The MCS introduced suffered similar consequences in terms of their proper implementations and usage in the day-to-day running of the organisation. Although their presence is evident in the NSC headquarters and some of the SBU visited (see chapter seven), these MCS failed to become part of the NSC routine. In other words, the MCS failed to be localised in the NSC. Latour (1987, p. 41) argued that:

> Fact construction is so much a collective process that an isolated person builds only dreams, claims and feelings, not facts… One of the main problems to solve is to interest someone enough to be read at all; compared to this problem that of being believed is, so to speak, a minor task.

It can be argued that consultants brought an ideal Western MCS into the NSC with the view that it would work without engaging individual users of the MCS in its translation and adaptability. For instance, ABC and the Sun accounts systems were designed and implemented by the consultants. BSC, SAP1 and MIS were designed by the consultant. The planned implementation of SAP1 was to be done by the consultant. It can be argued that the failure to involve the users in negotiating and translating new innovations contributed to NSC's accounting system not being institutionalised (Latour, 1987; Callon, 1986).

Furthermore, it can be argued that the consultant actor group assumed that, by being enrolled into the NSC transformation network, they could introduce private sector practices without adapting them to the NSC culture and engaging other staff. This is consistent with previous findings: that developed countries' accounting systems and practices were imported without consideration of the specific local environment features of developing countries (Perera, 1989: Ansari and Bell, 1991; Hopper *et al.*, 2003). The consultant assumed that interessement, enrolment and mobilisation of NSC top management are enough for innovations to diffuse. Apart from seminars and publications, there was no interessement device by which other actors would accept the innovations introduced. This finding can also be extended to TQM. The TQD, like the consultants relied on top management support for TQM translation. Lower and middle management staff were not enrolled and mobilised into the TQM negotiations and translation. Chua (1995) reported that accounting change emerged following uncertain faith promoted by expert-generated inscriptions and rhetorical strategies, which were able to tie together shifting interests in an actor-network. In the case of the NSC, the consultant failed to tie together the various actors (especially the middle and lower level managers) into their network.

There was no proper ownership of MCS in the NSC. For instance, as with the successes in the above section, TQM and MIS are not owned in the CSUs and SBUs. The Sun account system recorded relative success compare to the other MCS, because of its ownership by the system user. It was owned and localised by the accounts. As discussed in section 7.4.7, the accountants in the first SBU visited protect the Sun account system by not enrolling into MIS, which they view as a counter innovation.

It can be argued that the majority of the NSC staff did not perceive accounting in general or MCS as a solution to the NSC's inefficiency and ineffectiveness. Accounting is not perceived as an obligatory passage point for achieving goals. Even the NSC GMD acknowledges this, as follows:

> If we had genuinely embarked on the reforms, which were started with in 1986, the NSC would have by now been in the league of the most successful ...companies in the world.

Various scholars have argued that MCS are a crucial activity for every business organisation (Goold and Quinn, 1990; Otley, 1994; Mia and Clarke, 1999, Merchant and Van der Stede, 2003; Anthony and Govindarajan, 2007). Barnard (1962) asserted that the fundamental task of any large organisation is to coordinate the effort of those working in it, and MCS provide the means for such coordination. However, the finding of this study shows that, despite this importance, MCS are not coupled with day-to-day decision making in NSC. Thus accounting and MCS systems are not used in decision making. Prices and cost of production are set, not based on accounting. Performance evaluations are not clear, nor are they based on financial targets. This finding is consistent with those of previous studies in developing countries (Hoque and Hopper, 1994; Tsamenyi *et al.,* 2008; Wickramasinghe and Hopper, 2005). Hoque and Hopper (1994) in a study of a large nationalised jute mill in Bangladesh reported that formal controls such as budgets were employed for the purpose of legitimacy, but informal controls in the form of relationships and politics enable the managers to cope with the daily pressures of working in the mill.

Similarly, in a study of an Indonesian family organisation, Tsamenyi *et al.* (2008) reported that culture and social control, rather than formal rational decision making, were employed by the managers. The finding, although consistent with those of these studies, however, differs from these studies as, in the NSC, politics is the main means of control, from the shop floor staff to top management and to the government. A manager noted: “A lot of policies are conceived on self interest not national interest.” The Nigerian government directs the NSC on where to buy equipment and other materials needed for operations. The NSC is also directed on whom to sell its product to. A manager observed:

> The government will tell us to buy material to improve our product; it may be from Japan; meanwhile, this same material can be sourced inward…. Furthermore, the government determines who we sale our product to.

The NSC has no power to set its own price. The NSC is used for political patronage. A manger commented:

> How NSC is run is all political. For example, through our SBU we owe another SOE close to ngn12billion. We have about 17 major customers and we sell product to them at a particular price. However, the SOE is getting the product free because if we charge them, they are going to charge the civilians commercial rate for their own product; because of that, we are directed by the government to sit down with them and work out an agreed price they will buy our product. So this SOE decided on the price they want to pay us for our product and even that price they don't pay us.

Formal structures though sometimes exist do not serve any rational decision purpose. For instance, the NSC, as at the time of writing up this thesis, has no board of directors. The NSC board of directors was dissolved in 2007 following the election of a new president. Technocrats were hired to run the NSC. However, the technocrats set the goal of the NSC in line with the ruling government's goals. A manager explained that:

> In terms of goals and policies our own [meaning NSC's] depends on the government goals and policies own, for example the government 7 points agenda. So we shift our focus with that of the government. In an environment like this, it is stock driven. The government is controlling certain things; we cannot be commercial.

Thus, from the above assertion, we argue that, MCS played minimal role in the day-to-day decision making of NSC. Instead politics is the main means of control in the organisation.

8.5 Summary of the Chapter

This chapter has analysed the empirical data drawing on the ANT theoretical framework proposed in chapter three. The analysis presented in the chapter has integrated the empirics, the literature and the theoretical framework. The chapter began by defining the various actors identified in the study. Consistent with prior studies, these actors have been classified into global and local actors. The relationship between these actors was also discussed.

The way the public sector reforms in Nigeria were constructed was discussed and analysed, beginning with the earliest to the most recent reforms. The NSC underwent two main reforms, namely the introduction of strategic planning in 1986 and Project Alpha in 2004. The construction of these reform actor networks was discussed and analysed.

The findings reveal that various MCS technologies have been introduced into the NSC as part of the reform. These MCS are presented to the NSC by various international management consultants as a solution to the organisation's endemic problems. While few of the MCS were successful, the majority were not. For instance, strategic planning enabled the NSC to identify what its core activities are and how it can become an effective, efficient and prudent organisation. But other techniques such SAP1, Balanced Scorecard, TQM, ABC, etc were either not fully implemented or even when they were implemented were not used. Thus these systems were decoupled from day-to-day decision making. There was therefore a clear lack of understanding of the role of MCS in the decision making process of the NSC. The analysis also reveals that accounting in general and MCS in particular play a subordinate role in the NSC because politics are the main means of day-to-day control in the organisation.

Having discussed the results in this chapter, the next chapter provides summary and conclusions to the thesis.

CHAPTER NINE: CONCLUSIONS

9.1 Introduction

This thesis sets out to examine how the Nigerian public sector reforms impacts on the Management Control Systems (hereafter, MCS) of the Nigeria State Company (hereafter, NSC). The empirical results were presented in chapters six and seven and the discussions and analyses of these results were presented in the preceding chapter. The objective of this chapter is to provide overall conclusion to the thesis.

The chapter is organised into six sections. Following this introduction, the next part presents a reflection on the methodology adopted for the thesis. The subsequent section provides a summary of the main findings of the thesis. Section 9.4 presents the contribution to knowledge offered by the thesis. The study's contribution to literature, methodology, theory and policy are all discussed. The next section presents the study's limitation and, in the final part, areas for future research are identified.

9.2 Reflection on Methodology

The main aim of this study is to understand public sector reforms in Nigeria and their implications for MCS. To enable us attain this aim, the case study approach was adopted. One of the advantages of a case study is that it enables researchers gain an intimate, contextually sensitive knowledge of organisational phenomena (Patton, 1987; Birnberg *et al.*, 1990; Atkinson and Shaffir, 1998). Indeed, this approach enabled the researcher to become part of the NSC's daily activities. The researcher spent a total of seven months in the organisation and some of its subsidiaries. Data were collected through interviews, documentary analysis and observations. The case study approach permits the researcher to collect evidence from various sources (Yin, 2003). Through these various sources of evidence and interactions, an in-depth contextual understanding of MCS in the NSC was obtained. For instance, the case study approach enabled the researcher to discover the various reforms that had taken place and the subsequent changes in MCS, as well as the implementation processes of the new MCS and their initial and present usage. This would not have been possible had a different approach such as survey been adopted as surveys would have resulted in data being collected from a distance.

The choice of a case study was also influenced by qualitative methodology and the interpretive paradigm adopted for the thesis (Chua, 1986). The researcher's assumptions were that public sector reforms and MCS change are socially constructed and can therefore be understood by relying on the subjective interpretation of the various organisational actors (Burchell, *et al.*, 1980; Hopwood, 1987; Ryan *et al.*, 2002); thus through a case study the researcher was able to interact with various organisation members. From this examination, the researcher was able to understand how the NSC accounting systems in general and MCS in particular are intertwined with complex social, economic and political processes. In most cases, the researcher observed that formal MCS are subordinated to political control. The examination of this social, economic and political process would not have been possible if other methods such as survey had been employed.

Despite its benefits, discussed in the above paragraph, the case study is not without problems as it is time consuming and costly (Ryan *et al.,* 2002; Yin, 2003). In order to understand MCS change, the researcher had to conduct several interviews with various people located in different parts of Nigeria. Thus, time was needed for travelling; the process of the interviews also took up lot of time. In some cases, the interviewees rescheduled the date and time of the interview, while in some instances during the interview, the interviewees received a call from their superior and were sent outside the organisation for an urgent assignment, thus affecting the researcher's interview schedule and creating a backlog of interviews and transcriptions. In addition, the case study is emotionally taxing (Hoepfl, 1997). It requires listening, thinking, and observing at the same time, thus required lot of preparation time. For instance, the researcher arrived a day or two days earlier prior to an interview in order to prepare and approach the interview in a relaxed manner. Another problem encountered was the cost associated with the case study. The NSC is located in different parts of Nigeria, thus the researcher spent lot of money on travelling and accommodation while conducting the case study. On reflection therefore, despite the difficulties encountered during the research process identified above, the case study provided an apt approach in examining the public sector reforms and MCS in the studied organisation. It enabled the researcher to obtain rich historical and contextual understanding of the reforms and the MCS. In effect, the case study provided the opportunity for the MCS to be studied within its organisational context (Burchell *et al.*, 1980; Hopper and Powell, 1985) thereby understanding its historical, political and social constituted nature in addition to its technical dimension.

9.3 Summary of the Main Findings

In this section, the summary of the thesis major findings is presented. The findings are discussed by revisiting the research questions presented in section 1.3.

1. What is the role of various actors in the Nigerian public sector reforms?

The findings reveal that the Nigerian public sector reforms were the result of interactions between various heterogeneous human and non-human actors (Callon, 1986; Latour, 1987; Lee and Hassard, 1999). Public sector reforms were introduced in Nigeria following a financial crisis that severely hit the Nigerian economy, leading to the government not being able to meet its internal and external commitments. Furthermore, the Nigerian general public could not secure any external funding or guarantee for purchase of the imported raw materials upon which the local industries depend, thus leading to a shortage of consumables and other goods in the country, and a rise in unemployment figures. The government attempted to solve the crisis through enacting some legislations such as price controls. However, the crisis persisted and the government approached the World Bank and IMF for a loan to ease the crisis. The World Bank and IMF presented SAP with public sector reforms as one of its main elements as a solution to the crisis. Previously, scholars had identified SAP as one of the means through which public sector reforms are encouraged or directed to developing countries by donor countries and the World Bank and IMF (Toye, 1994; Cook and Kirkpatrick, 1995; Olowu, 2002; Uddin and Hopper, 2003; Hopper *et al.*, 2009).

As discussed above, the World Bank and IMF have played a significant role in the introduction of public sector reforms in Nigeria. However, the findings show that the World Bank and IMF SAP, with the public sector reforms, were not accepted as a readymade innovation; rather the Nigerian government, the general public and the public enterprises interpreted and reworked the reforms to suit their own interests. Stanforth (2006) stresses that the process of building and changing of networks is necessarily political in nature, as actors put forward favoured solutions and contest these. SAP with public sector reforms were adopted after series of negotiations and manipulations amongst the Nigerian government, World Bank and IMF, external creditors, the general public, public enterprises and other actors. The Nigerian SAP recorded limited success and was abandoned after seven years (Obadan and Edo, 2004; Umoren, 2001; Jega, 2000; Irukwo, 2005; Olukoshi, 1993a, 1993). This finding is consistent with those of previous studies such as that of Uddin and Tsamenyi (2005) and Uddin and Hopper (2001), which reported that reforms are imposed on the developing countries they studied by international aid agencies, such as the World Bank and IMF.

The Actor-Network Theory (ANT) was adopted as a theoretical lens in order to understand the complex relationship between these various groups. From the analysis the role of the various actors were identified. In particular, the findings revealed that the public sector reforms and the MCS studied were shaped and re-shaped by the group of global and local actors. The overall implication of this finding is that in order to fully comprehend the outcome of public sector reforms we should focus on both global and local dichotomy. Focusing on only one group would delimit our understanding of the reform process and how this impacts on the MCS.

2. How the Nigerian public sector reforms were translated in the NSC

The evidence shows that, following the Nigerian government's adoption of SAP with public sector reforms as one of its measures, the NSC top management embarked on reforming the NSC. The top management engaged international consultants to help with the reforms. This finding is consistent with those of Fyson (2009) and Christensen (2002; 2005): that international consultants play a key role in public sector reforms. Indeed, the consultants introduced private sector methods into the NSC; these included changes in MCS such as strategic planning, performance management system, Activity-Based Costing, SAP1, Total Quality Management, decentralisation, Sun account system and the Balanced Scorecard. This is in line with the NPM doctrine that, in reforming the public sector, private sector practices are normally introduced into public sector organisations (Hood, 1991; 1995).

It is evident in the NSC that the Nigerian public sector reforms resulted in changes in the NSC’s processes, systems and procedures. However, the reforms were not seen to their logical conclusion. The majority of the innovations designed during the reforms were abandoned half way through, or in some cases were put on the shelves without being implemented. This may be due to the government not been true to the reforms, granting the NSC full autonomy and the constant changes of the NSC’s top management. For instance, during strategic planning, various reforms were devised. However, most of them were not implemented; even the current General Managing Director of the NSC acknowledged that if NSC had genuinely adopted the reforms introduced during strategic planning, the NSC would by now be among the best companies in the world. Based on the evidence obtained from the study, it can be argued that the reforms failed because of the lack of ownership by the local actors and also because of the politicisation of the reform process. ANT analysis revealed that the majority of the local actors (mainly the middle and lower level managers in the organisation) were not interresed and enrolled in the reform process. Moreover NSC’s strategic role in the country means it is a highly politicised organisation with decisions being made based on political rather than economic criteria. Similar findings have been reported in other developing countries (Uddin and Hopper, 2001; 2003; Uddin and Tsamenyi, 2005).

3. What is the role of MCS in NSC reforms and how was this MCS shaped and reshaped in the network?

This study identified MCS change as one of the major drivers of change in the NSC. The findings reveal that, during the first wave of the Nigerian public sector reforms, strategic planning was the main driver of change in the NSC. The NSC management and staff relied on strategic planning as a facilitator of change as it enabled the NSC to identify it core areas and define its mission. Furthermore, strategic planning was incorporated into the budget, thus linking the budget with some predetermined strategy. This is similar to the findings reported by Crebert (2001) which links strategic planning to the budgeting process. Furthermore, the finding reveals that other MCS, such as Total Quality Management (TQM), Sun accounts systems, Activity Based Costing (ABC), performance management systems, Balanced Scorecard (BSC), Management Information System (MIS) and System Application and Products in Data Processing (SAP1) have been introduced into the NSC as the drivers of change. This finding is consistent with findings reported by Lowe (2001a) and Chua (1995) that identify the role of these various management accounting techniques in organisational change.

The study findings reveal that public sector reforms recorded limited success in the NSC, and this in turn affected the MCS being proposed or implemented. For instance, as discussed in the above section, strategic planning was the main driver of change in the NSC and had been incorporated into the NSC budget. However, the government, NSC top management and NSC staff manipulated the budget and plan to suit their own interests. The BSC, PMS, SAP1, MIS, ABC, Sun account System and TQM were partially or not implemented. MCS are therefore decoupled from day-to-day decision making of the organisation and has become subordinated to political control. In other words, MCS are not used in decision making but rather politics dominated decision making. This finding is consistent with the findings of Wickramasinghe and Hopper, (2005), Hoque and Hopper (1994) and Tsamenyi *et al.* (2009) which identified the role of politics as the dominant means of control in large public enterprises in developing countries.

The study identified lack of ownership, importation, and commitment as the main factors that contributed to the failure of reforms in the NSC in general, and in particular, changes in MCS. For example, the MIS was seen as a Project Alpha initiative, which would disappear with the project. Thus, the MIS has not been updated, nor is it properly used. Furthermore, the findings also reveal that most of the changes that have been introduced have been imported from developed countries. For instance, various MCS were introduced by consultants without adapting the systems to the NSC's specific context. Hence, the MCS are too technical and not well understood by the majority of staff who are supposed to draw from them for their daily operations. This is similar to the assertion made by Perera, (1989), Ansari and Bell (1991), Hopper *et al.,* (2003; 2009) about the importation of accounting systems from developed countries into developing countries without proper adaptation. The failure of the MCS can also be attributed to the lack of commitment to change from the government to the NSC. The government's decision not to grant full autonomy to the NSC and constant changes of the NSC top management affected commitment to changes. Top managers tended to align the interest of the NSC to that of the ruling government, thus affecting the continuity of reforms. In effect all these decoupled the MCS from the day-to-day decision making of the organisation.

9.4 The Thesis Contribution to Knowledge

This study makes several contributions to knowledge in terms of policy, literature, theory, and, methodology. These contributions are highlighted below:

(i) Policy impact: - policy on management, government

One of the major policy contributions of this study is that it raises awareness that reforms are likely to fail without proper ownership, commitment and continuity. As discussed in section 8.3 and 8.4 reforms failed to become taking for granted ways of conducting activities in NSC as a results of them not been fully owned by the systems users and the changes in the ruling government and their interest. These changes affect the NSC top management and consequently, resulted in discontinuity of the previous reforms. This is an important contribution from which the Nigerian government and international organisation should learn. In public sector reforms, the engagement of local actors is important. Furthermore, for reforms to be truly successful, the government and public enterprise top management need to be committed in implementing and continuing with the initial reforms.

Another important finding of the thesis which contributes to policy relates to the design of MCS. The research findings suggest that the MCS in the case organisation were largely imported with minimal adaptation. This has contributed to the decoupling of these MCS from day-to-day decision making. As discussed in section 8.4 imported MCS were not well understood by the managers as they were not adapted to suit local need. The implication of this finding is that for MCS or other accounting systems to be accepted and coupled with day-to-day decision making they need to be either initiated locally or where they have been imported they need to be adapted to suit the local context. Thus organisations in developing countries should identify what aspects of their accounting systems need changing, and then to implement appropriate systems to suit them.

(ii) Contribution to literature

The study has made contributions to the literature relating to management control systems. The first contribution is in providing an understanding of how MCS operates in a developing country. Until relatively recently, the area of management accounting research in developing countries has been neglected. While in recent years, studies such as those of Hopper *et al*, (2003; 2009), Uddin and Tsamenyi (2005), Tsamenyi *et al.* (2008), Wickramasinghe and Hopper (2005), Uddin and Hopper (2001; 2003), Hassan (2005), Hoque and Hopper (1994) and Wickramasinghe *et al.*, (2004) have made contributions from the developing country context more country-specific studies are needed. This is particularly important as developing countries are not homogenous (Wallace, 1990). Sub-Saharan Africa in general and Nigeria in particular have seen very few such studies. This study therefore contributes to the MCS in developing country literature by providing empirical evidence on MCS practices from the context of Nigeria.

Second, the study also contributes to the literature on MCS in public sector organisations in which research is sparse (Broadbent and Guthrie, 1992, Broadbent, 1999) by conducting a case study of the NSC and has highlighted the various MCS introduced in reforming the NSC. In section 7.4 and 8.4, how these MCS were diffused, accepted/rejected was presented. By doing this the study contributes to the understanding of the diffusion of management accounting innovations from a developing country context.

Third, the study contributes to the understanding of public sector reforms in developing countries where conflicted results were reported by showing that reforms and MCS change can be both successful and not successfully at the same time. As discussed in section 7.4 and 8.4 MCS were drawn upon in reforming the NSC. For instance, strategic planning was adopted in changing the NSC towards becoming a commercial enterprise. Strategic planning resulted in the NSC having a mission statement and the integration of it strategies with budget. However, the plan and the budget together with other MCS innovations introduced in reforming the NSC became subordinated to political control. This finding contributes to the literature by highlighting the pivotal role of politics in MCS design in a developing country context.

(iii) Contribution to theory

Theoretically the study contributes to the application of the Actor-Network Theory (ANT) in accounting research. The central concern of ANT is the desire to bring together humans and non-humans into the same analytical vein (Lee and Hassard, 1999). However this central thesis has not been given much attention in previous management accounting research (Lowe, 2001). The analysis provided in the thesis has expanded the list of actors that influence accounting change. By categorising these actors as global and local and as human and non-human, the thesis has provided a broader understanding of the process of actor-network creations and how these networks impact on MCS than provided in previous management accounting studies. The ANT analysis also highlighted how the actor-reform/MCS networks are created and sustained over time thereby broadening our understanding of how MCS are developed and sustained in organisations.

One of the arguments in ANT is that power can be conceptualised as an effect of a network (Callon, 1986; Law, 1992). In other words, power is equally distributed in the network as no individual actor has power to influence the network on his/her own. This assertion has however been challenged in the thesis as the study shows that the Nigerian government had an authoritative power (Uddin and Tsamenyi, 2005), which shaped and reshaped all the actors in the reform network. Actors in the network do not necessarily need to have the same amount of power especially in a politically dominated organisation such as the NSC. This finding raises concern about how power is downplayed in ANT analysis and should spur further debate on how power can be properly theorised in ANT analysis.

(iv) Contribution to methodology

The study contributes to methodology through the adoption of the case study approach. Traditionally, management accounting research has been dominated by positivistic studies using large scale surveys. However, this has changed since the 1980s when researchers began to place emphasis on studying management accounting in its organisational context. Scholars such as Hopper and Powell (1985), Hopwood (1987), Scapens (1990) and Otley and Berry (1994) have called for the use of case study in order to understand the organisational context of management accounting systems. This study is a response to this call by adopting a case study approach to explore the role of MCS in its organisational context (in the NSC). The importance of this approach is that it enabled the researcher to explore the underlying social and political context within which the MCS operated. NSC MCS are embedded in complex social and political processes, which can only be uncovered by the adoption of case study.

Another methodological contribution concerns the process of conducting case studies in developing countries. Most of the material on case studies has been written from the western perspective, in which assumptions are made that the process of data collection is straightforward (see Yin, 1989, 1994; 2003). Various issues were highlighted in this thesis which will contribute towards conducting a case study in an environment characterised by social and political relations such as Nigeria and in other developing countries (Hopper *et al.,* 2009). The study shows that social networks are very important in selecting and gaining access to the research site. These social networks subsequently influence the case study research process in terms what types of questions to ask, how interviewees respond to questions, the flexibility of the interview process, etc. This is an important observation which can help future case study researchers in developing countries.

9.5 Limitation of the Study

Like any other research, this study is not without limitations. The limitations are highlighted in this section.

The first limitation of this study is that it was conducted in a single enterprise; thus the finding cannot be statistically generalised with other public organisations in Nigeria. However, it must be emphasised that the aim of the thesis is not to provide statistical generalisation but instead to provide an in-depth understanding of the process of the public sector reforms and how this impacts on the MCS. As a result, the single case study should not impose any limitations on the interpretations of the results.

Another limitation is concerned with obtaining relevant literature on MCS change in the context of public sector reforms in developing countries in general and Nigeria in particular. The study relied on literature relating to developed countries; thus some issues that are particularly relevant to a developing country might be overlooked. Furthermore, in Nigeria documents are not properly kept; hence in most cases the researcher had to rely on interviewees. However, this limitation was overcome through putting the same questions to various informed interviewees. Yin (2003) asserted that a well-informed participant can provide an important insight.

Another limitation of the study lay in tracing all the relevant actors in the Nigerian public sector reforms and interviewing them. Arranging appointments with actors such as the staff of the World Bank and IMF Nigeria country office was not successful. However, this limitation was overcome through reviewing various documents on public sector reforms in Nigeria.

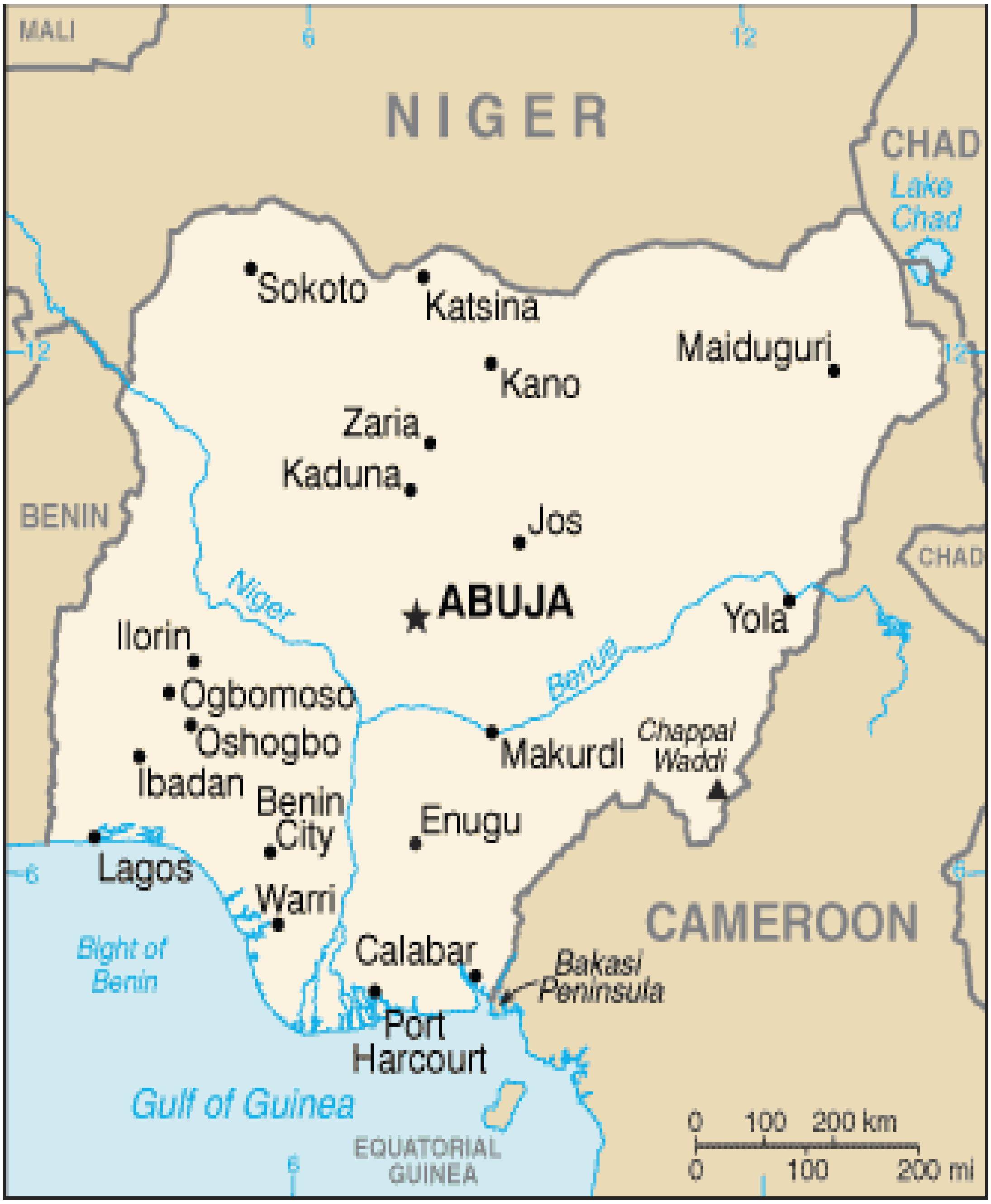
9.6 Suggestion for Future Research

The study has identified some areas for future research. First, this study was conducted in a single enterprise – the NSC. Future studies could be conducted in other public organisations in Nigeria, in order to understand the impacts of public sector reforms on MCS. Also cross-country studies between developing countries or between developed and developing countries can be conducted to enable us to gain a more in-depth understanding of reforms and MCS change.

Second, in order to better understand the role MCS play in the management of Nigerian enterprises, comparative studies of the private and public sector enterprises could be undertaken. These studies could enrich our understanding of how MCS are perceived in the management of Nigerian organisations.

Third, the primary data for the analysis was collected mainly from the local actors. While attempts were made to interview the global actors such as the World Bank and the IMF representatives, these were not possible. To enrich the understanding of the public sector reform process, future researchers are encouraged to engage these groups of global actors.

Appendix 4.1 Map of Nigeria



Appendix: 4.2 Nigeria's Economic Indicators from 1960-1988

	Inflation, GDP deflator (annual %)	External debt stocks, total (DOD, current US$)	External debt stocks, total (DOD, current US$)	Total debt service (% of exports of goods, services and income)	GDP growth (annual %)	GNI per capita, Atlas method (current US$)	GNI per capita, PPP (current international $)	GNI, Atlas method (current US$)	Imports of goods and services (% of GDP)
1960	..	..	..	..	..	..	..	..	17
1961	6	..	..	..	0	..	..	..	16
1962	6	..	..	..	4	100	..	4602324382	14
1963	-3	..	..	..	9	110	..	5118161919	14
1964	2	..	..	..	5	120	..	5414759967	15
1965	1	..	..	..	5	120	..	5576485117	16
1966	13	..	..	..	-4	110	..	5605242190	15
1967	-3	..	..	..	-16	100	..	5000480370	17
1968	1	..	..	..	-1	100	..	5052282620	16
1969	3	..	..	..	24	120	..	6282490582	15
1970	51	836678000	836678000	..	25	170	..	8912599036	11
1971	1	960363000	960363000	..	14	180	..	9790180108	14
197	3	108176200	108176200	..	3	190	..	1088292858	12

2		0	0					8	
1973	5	1778978000	1778978000	..	5	200	..	11462404220	15
1974	44	1880719000	1880719000	..	11	290	..	17122139383	15
1975	24	1687172000	1687172000	..	-5	340	..	20776451492	23
1976	14	1337792000	1337792000	..	9	470	..	29456249210	24
1977	11	3146444000	3146444000	1	6	540	..	34987273345	23
1978	14	5091172000	5091172000	1	-6	530	..	35405557173	24
1979	11	6244581000	6244581000	2	7	580	..	40073193755	19
1980	12	8921408000	8921408000	4	4	660	800	47182646678	19
1981	16	11420678000	11420678000	9	-13	690	750	50378315626	27
1982	3	11971607000	11971607000	16	-0	710	780	53570191602	22
1983	16	17560755000	17560755000	24	-5	560	750	43587817546	18
1984	17	17770533000	17770533000	33	-5	420	710	33204180591	13
1985	4	18643256000	18643256000	33	10	370	780	30458603172	12
1986	-1	22211934000	22211934000	38	3	290	760	24171893693	20
1987	50	29021380000	29021380000	14	-1	250	730	21197454632	25
1988	21	29621029000	29621029000	30	10	260	880	22927490699	22
1989	44	30121999000	30121999000	25	7	250	880	23008722616	25
1990	7	33438924000	33438924000	23	8	260	950	24151137098	29

1991	20	33527205000	33527205000	22	5	260	1010	25482101695	31
1992	84	29018714000	29018714000	29	3	280	1040	27758619223	41
1993	53	30735623000	30735623000	13	2	240	1030	24463012519	50
1994	28	33092286000	33092286000	18	0	220	1030	23470204071	41
1995	56	34092471000	34092471000	14	2	220	1080	23588239999	42
1996	37	31406607000	31406607000	14	4	250	1130	28569958530	27
1997	1	28454869000	28454869000	8	3	280	1150	32203696406	38
1998	-6	30294495000	30294495000	11	2	270	1120	31479489811	38
1999	12	29127620000	29127620000	7	1	270	1180	32727830741	41
2000	38	31354920000	31354920000	8	5	270	1130	33449088536	32
2001	11	31041588000	31041588000	12	3	310	1220	40120819883	32
2002	31	30475990000	30475990000	8	2	350	1190	45399362500	33
2003	11	34700236000	34700236000	6	10	410	1300	55620848806	40
2004	21	37883088000	37883088000	4	11	530	1450	73419252125	31
2005	20	22178282000	22178282000	16	5	620	1520	87688746839	31
2006	20	7798699000	7798699000	..	6	830	1780	119712800269	28
2007	5	8933714000	8933714000	1	6	970	1850	143292510504	30
2008	14	..	..	..	5	1160	1940	175622403730	30

Sources: World Bank: World Development Indicators

Appendix 5.1: Letter of Introduction from the Supervisor

UNIVERSITY OF BIRMINGHAM

Birmingham Business School

July 2, 2007

To Whom It May Concern:

Re- Sa'id Hadiza

This is to confirm that Ms Sa'id Hadiza is currently studying for her Doctor of Philosophy Degree (PhD) in Accounting at the University of Birmingham in the UK. Hadiza is investigating the role of management accounting systems in organisations. Her research specifically attempts to explore how management accounting systems change in response to public sector reforms and commercialisation decisions. Hadiza has completed the first part of her study and is about to embark on the second phase of the study, which is the fieldwork. She will therefore require access to organisations and relevant authorities in Nigeria to conduct the study.

The results of the study will be compared to studies in the Western World such as the UK and the USA. The aim is to provide a better understanding of how management accounting systems assist organisations in making better decisions. The study is very important, as little is known about the role of management accounting systems in organisations in developing countries. I can assure you that no confidential information will be obtained and the name of your organisation will not be revealed in the report. A copy of the results of the study will also be made available to you.

I will therefore appreciate if you could assist Hadiza with access to your organisation to conduct such a study.

Yours faithfully,

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Appendix 5.5: Interview Guide Questions

1. Introduction

Can you briefly describe your job function and educational background?
How long have you been in the present position and previous, if relevant?

2. External changes and internal influence

1. What are the external (environmental) and the internal factors that affect your organisation? E.g. government reforms, increased competition, professional bodies, multinationals, consultants, internal politics etc
2. How the change in government policies does affect your organisation?
3. Can you explain to me the factors that brought these changes?
4. How do the senior management, regulators, government etc influence your organisation? How has these influence affect NSC transformation?
5. How has the change being promoted? Who are the promoters and drivers of the change i.e. both internal and external?
6. Who resists the change e.g. trade union, individuals, politicians etc? How did they do it? Who supported the change? How did they do it?
7. How have the changes affect the management of your organisation and the way you carry your job? E.g. how you make decisions, planning etc.
8. What are the challenges now facing the NSC?
9. What types of systems were implemented to support the reforms?
10. Overall, how has the reforms affect accounting in your organisation? What is your opinion on the accounting change or lack of it?

3. Specific question on particular reform

1. Why the reform (what necessitated the reform); is it for efficiency, being imposed by World Bank e. t. c?
2. What was the objective of the reform?
3. When was it launch?
4. What was the duration of the reform?
5. What was the strategy of execution of the reform? (How was it executed?) How was the reform implemented?
6. Process of the reform? How was the reform implemented?
7. What are the individual responses to TQM implementation
8. How did its implementation improve NSC processes? Especially financial management controls and financial processes) here I am talking about planning, budgeting, decision making, and performance management. What are the factors making control to improve or not? What affect does the above have on budget preparation, process, compliance and monitoring? Who prepare the budget, pre posts and now?
9. What are the individual response to the changes
10. Was the reform a success?
    a. If yes, what were the key success factors?
    b. If no, what were the constraints?
    c. Who supports the change? For example government, top management.
    d. Who resist the change? How did they do it

11. What were the lessons learnt

4. Planning, budgeting and decision making processes

- Do you participate in management decisions? If yes can you explain more
- Has this role/participation change as a result of any of the reforms?
- How do you plan your activity? Do you use budget?
- What is the aim of the budget?
- Has the budgeting process change as a result of any of the reforms or any other reason? Can you explain to me how the change happened? How budgetary process operates?
- In your opinion why did it change?
- What factors contributes to the change?
- Who prepares the budgets? Who allocate costs?
- Is budget use to control company operations?
- Is there concern on accurate and reliable budget?
- Is compliance to budget mandatory? Do you follow up on budget issues?
- How is the budget being implemented?
- Are performance measure based on budget?
- How useful is the budget information?
- Is the budget main information use in decision making?
- How your unit/subsidiary makes decisions in terms of what is needed for daily operations and capital expenditure?
- Are the budget and other information available to all staff?
- What are the sources of other information?

5. **Management style**

- Can you explain how your organisation is managed?
- Do staffs participate in management processes before the reform? Has that change now? How did it occur? How is it done now?
- How are policy, procedure and instruction formulated?
- How do you carry your daily operations?
- How are the board of directors and senior managers being appointed?
- What is the relationship of your organisation with the Ministry of petroleum, oil multinational and other government agencies?
- How does your organisation account to your stake holders?
- Do you prepare any report for management? If yes had this report change? How many reports do you prepare prior to the reform? How many do you prepare now? What do you use the reports for (E.g. planning, performance measurement and decision making)? How have the employees perceived the changes in reporting?
- Has the level of staffs' participation in management processes increase after any of the changes
- If reports have not change, the question will be, why has reporting not change for the past 30 years despite changes in the global business environment?
- How is accounting organised, is it centrally organised staff function or decentralised?

4. NSC accounting systems and changes

- What type of management accounting techniques do you use? Do you use the information provide by these techniques? Can you explain how you use the information?
- Who prepare the accounting information report?
- Who operates the system, i.e. accountants, IT staffs or others?
- Are all parties satisfied with the accounting function and information? Is there information duplications? (Adequacy of the accounting system)?
- Have management accounting change from incorporation act to date (How has accounting development over time both internal accounting, costing systems and responsibility accounting)? How did it occur? Can you explain more? Who are the engineers of such change? What factors causes the change?
- Are staffs satisfied with the new ways of doing things introduced by commercialisations, Alpha and any other events?
- What type of policy NSC introduced to promote efficiency? E.g. Retrenchment, cost cutting, value creation e t c is it a success or failure?
- Do these changes (reform) brought a new way of thinking in the organisation i.e. financial term based on competition and profit way as well as non financial?
- Do employees see the company as there own?
- How can you access the overall benefits of such changes? Do staffs accept or resist the changes (observe here)?
- What is the responsibility of accountants? How accountants/admin staffs relates to other professionals (operation staffs)? What is their relationships?

5. Performance measurement

- Project Alpha introduced new mission and mission and vision, how are you working toward achieving that?
- In your view is it possible to achieve the new mission in such a short time?
- Is your performance adequately monitored and evaluated for improvement? How is it done? Has it change as a result of any of the reforms or any other events?
- Can you explain your system of promotion, reward and punishment? Is the organisations concern about your well being? Can you elaborate on that
- Are their adequate communication systems in the organisation?
- How is individual performance monitored?
- How do you design performance measures for your processes/other units?
- Do you used traditional indicators to measure your performance that is ROI, capacity utilization, customer satisfaction, market share, quality and delivery time e t c

6. Specific questions with regard to SAP and MIS

- Would you please tell me about the recent information system implemented in your subsidiary? Why is it introduced? How is the system being introduced? What type of information is produced by the new system?
- Who uses the information? Do organisation members understand the information produced by the new systems? Have the new systems integrated with the existing system?

- Do staffs understand the nature and significance of new systems? Do the new systems fit the established way of working (thinking) in the company? Were you given training on how to use the new systems? What are the implementation problems?
- How does the new system impacts on various functions within the subsidiary and headquarters? Has your working relationship change?
- How do staffs respond to these systems? Do you think the new systems will work towards achieving the organisational mission and vision? How has SAP system influence accounting function? Has the role of accountant change?
- What have been the major factors influencing the outcome of the new system implementation?
- Is their stability, change or resistance to the SAP system?

7. Human Resources Department

- How has the recent changes affected your department?
- Can you explain your recruitment process? Is career development well managed? Can you explain?
- Can you explain to me how performances are measured prior to the reform and now? Who do the staffs' appraisal? How are targets set? How is remuneration determined for organisational members; top management and board of directors?
- Do you have any system of reward/ punishment? Hire and fire policy?
- Can you explain to me your training policy? How is it implemented? Who fund the training and how do you identify staffed to be trained?
- Are their minimum days of training set for staffs?
- Has your training policy change? Yes/no explain why or how?

8. Political issues/policy makers

- What are the purposes of the government reforms?
- Do you think Nigeria's economic policies were the reasons for its underdevelopment?
- What is your opinion on the present reforms?
- How do you assess the present government reforms? Are the reforms good enough to push the economy forward?
- What are the objectives of the government reforms? What are the objectives of commercialisations? Has NSC met those objectives? If yes how/if no why?
- What is your opinion about NSC recent transformation? Is it a value process? Will it aid the corporation in achieving it vision?
- What are the benefits of NSC commercialization and transformation to average Nigerian?

9. Consultant

- What is your role in the NSC reforms?
- How do you go about the reforms?
- In your opinion why is NSC not efficient and effective like other National Oil Companies
- Do you think the present reform will make NSC solve it problems?
- In your opinion what are the NSC's main challenges

Appendix 5.6: Contact Summary Form

Type of contact	NSC Office
Visit X	Contact date: 28/08/07
Phone X	Today's date: 31/08/07

Main issues discussed.

Various reforms that took place; from CRC, to TQM and Alpha
Most of the SBUs are cost centres; they do not make any profit.
Money is wasted, as there is no accountability.
Conflicting role; NSC buy crude from the government at international price and sell the refined product at a subsidies price.
Government interferes in their daily operations
Recent MCS introduced.

Most-important points

NSC used to be funded 100 per cent by the government because of bureaucracy but that is now changing.
NSC lacks a scientific system of performance measuring and monitoring.
The organisation's past and presents accounting system
Previous reforms that took place
Poor maintenance culture
Little to no motivation for staff

Issues suggested by the contact for further pursuance

Identify staff that took part/are in the organisation during the previous reforms.
Check the NSC library for documents regarding the reforms

Next line of action

Find out more about Nigerian factor
Make appointments with employees (actors) that were in the organisation during the previous reforms.
Identify new MCS introduce, implementation processes and usage.

Appendix 5.7: Document Summary Form

Site: NSC
Document: 5
Date received: 30/08/07

<u>Documents name and description</u>
Alpha handbook

<u>Events or contact the documents is associated with</u>
Project Alpha
Aims and objectives of the project

<u>Importance of the documents</u>
The basis information about the recent reform
Aim at all staff

<u>Brief summary of the content</u>
The document provides an overview of the recent reform. It described the aims and objectives of the reforms and the strategy for implementing the reforms.

The document also states what is expected from every staff.

Appendix 5.8: List of Codes

Reasons for reforms	**WR**
Political motivated	WR-PLT
Economic motivated	WR-ECO
Socially motivated	WR-SOC
Voluntary	WR-VLR
Imposed	WR-IMP
Reforms processes	**RP**
In house	RP-INHOU
External	RP-EXT
Participation	PR-PP
Implementation problems	RP-IMP
Management control systems/changes	**MCS**
Management control systems adopted	MCS-AD
Old management control systems	MCS-OLD
New management control systems	MCS-NEW
Usage of management control systems	MCS-US
Staff understanding of MCS	MCS-SF-UN
Application of MCS	MCS-APP
Actors	**ACT**
The role of NSC management	NP-MAN-ACT
NSC staff	NP-ST-ACT
The role of the government	GOV-ACT
The consultant	CLT-ACT
Management control systems technology	MCS-ACT
World Bank/IMF	WB-IMF-ACT
Public sector reforms	PSR-ACT
Nigeria’s general public	NGR-ACT
Network creation/created	NC

Appendix 5.9: Lists of Themes that Emerge from the Data

1. Political interference
2. Power
3. External societal influence
4. Niger Delta
5. Ethnicity
6. World Bank and IMF
7. Multinationals
8. Secrecy
9. Corruption
10. Mentality (Nigerian factor)
11. Lack of commercial mind
12. Mismanagement
13. Incompetency/misplacement
14. Authorisation limits/funding issues
15. Infrastructure
16. Maintenance
17. Reforms
18. Consultant
19. Change initiatives
20. Borrowing ideas from outside
21. Continuity/ownership
22. Operations
23. CRC
24. ALPHA
25. TQM
26. SAP
27. Accounting systems
28. Planning and Budgeting
29. Performance management
30. Accountability
31. Monetisation
32. SUN Account
33. MIS
34. MIS Adoption
35. MIS Support

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