

THE FORMATION OF AN INTER-ORGANISATIONAL  
NETWORK AND INTER-ORGANISATIONAL MANAGEMENT  
CONTROLS UNDER CONDITIONS OF INSTITUTIONAL  
COMPLEXITY

By

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## **Abstract**

The overarching aim of this study is to gain an in-depth understanding of the impact of multiple institutional logics on the formation and maintenance of public-private (mixed-type) inter-organisational networks (hereafter IONs), in which various inter-organisational relations (hereafter IORs) of a focal organisation are embedded. This study seeks to understand how multiple logics shape the inter-organisational management controls (IOMCs) which are deployed by a focal organisation to manage, control and coordinate its numerous IORs. In doing so, the institutional logics approach, in conjunction with a ‘whole network’ perspective, is deployed and an explanatory case study design is adopted. An investment portfolio of a public pension fund, which is a hybrid organisation operating under conditions of institutional complexity, is used as an illustrative case of an ION. Investment portfolios, composed of various investments and IORs, are engines of the ION’s evolution. However, due to the limited number of studies on IONs, our knowledge about how IONs emerge and are sustained in practice is very limited. The originality of the present research is threefold. Firstly, this thesis contributes to the developing body of management accounting literature on IOMCs in mixed-type IORs and IONs. Secondly, it provides insights into the emerging body of literature deploying the institutional logics approach to explain the peculiarities of different management controls used by various organisations in in-situ contexts. Lastly, it expands our understanding of the impact of the institutional realm of developing countries on IORs, IONs, and the IOMCs deployed within them; thereby contributing to the limited management accounting research undertaken in such environments.

## **DEDICATION**

This thesis is dedicated to my parents, Grzegorz and Danuta Rozenfeld, who have always believed in me.

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## **List of Abbreviations**

AIs	Alternative Investments
ANT	Actor Network Theory
BOT	Board of Trustees
CEO	Chief Executive Officer
DG	Director General
DM	Departmental Manager
EIs	Equity Investments
FII	Fixed Income Investments
GCE	General Counsel Division
GM	General Manager
IDD	Investment and Development Division
IOMCs	Inter-organisational Management Controls
IONs	Inter-organisational Networks
IORs	Inter-organisational Relations
IRR	Internal Rate of Return
ISSA	International Social Security Association
JVs	Joint Ventures
MD	Managing Director
MIC	Management Investment Committee
NPM	New Public Management
NPV	Net Present Value
PDD	Project Development Department
PPFs	Public Pensions Funds
PPMMD	Portfolio Performance Measurement and Monitoring Department
PPPs	Public Private Partnerships
PITs	Project Implementation Teams
REIs	Real Estate Investments
ROI	Return on Investment
SIDs	Strategic Investment Decisions
SSS	Social Security System
STIs	Socially Targeted Investments
TCE	Transaction Cost Economics
WSSAC	Western Sub-Saharan African Country

## CHAPTER ONE: INTRODUCTION

### 1.1. Background of the Research and Motivations to Undertake the Research

Recent decades have been characterised by the increased development of inter-organisational relations (hereafter IORs)<sup>1</sup> (Groot and Merchant, 2000; van der Meer-Kooistra and Vosselman, 2000; Håkansson and Lind, 2006; van der Meer-Kooistra and Vosselman, 2006; Kraus and Lind, 2007; Ding et al., 2010; Meira et al., 2010; Tsamenyi and Cullen, 2010) and the broader inter-organisational networks<sup>2</sup> (hereafter IONs), which embed these IORs (Gulati and Gargiulo, 1999; Halinen and Törnroos, 2005; Kilfoyle and Richardson, 2015). Additionally, it has been argued that, although IONs have always existed, recently not only has a proliferation in their number been experienced, but also their form and complexity have evolved (Halinen and Törnroos, 2005). The increased collaboration between organisations has had implications for the management controls relied upon by these organisations (Tomkins, 2001; Tsamenyi and Cullen, 2010) and they have led to the development of inter-organisational management controls (IOMCs) which span the boundaries of organisations. Therefore, “much of today’s most interesting accounting action takes place not within organizations, but through horizontal [inter-organisational] processes” (Mikes, 2012, p. 346; see also Dekker, 2016). Subsequently, the question of how various IOMCs are deployed to support these IORs and IONs has been raised by management accounting scholars (see e.g., Marques et al., 2011; Kilfoyle and Richardson, 2015).

Although numerous management accounting studies have addressed the issues related to IOMCs in various inter-organisational settings, the majority focus on the analysis of IOMCs in

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<sup>1</sup> IORs are defined as various types of collaborative arrangements between independent organisations that often enable them to gain competitive advantages (Kraus and Lind, 2007; Velez et al., 2008).

<sup>2</sup> In the current thesis, terms such as ‘network’ and inter-organisational network (ION) are used interchangeably.

dyads (i.e., IORs which are analysed as if they were isolated islands – see e.g. Mouritsen et al., 2001; Dekker, 2003; Wouters et al., 2005; Neumann, 2010), thereby neglecting the “whole network” perspective (Provan et al., 2007; Caglio and Ditillo, 2008). For example, Marques et al. (2011) emphasise that “several studies have focused on one-to-one relationships [IORs], but few take a network perspective which analyses the deployment of management control mechanisms [IOMCs] in the context of networks involving multiple interactions between organizations.” (p. 569). Further, Chua and Mahama (2007) argue that, although management accounting scholars are increasingly recognizing that IORs are embedded within broader IONs, the majority of the accounting studies portray them as dyads, thereby simplifying their “multifaceted reality” (ibid, p. 48).

Additionally, the preponderance of research in dyadic settings deploys functionalist theoretical approaches, particularly Transaction Cost Economics (Håkansson and Lind, 2004; Kraus and Lind, 2007; Håkansson et al., 2010a). These approaches not only overlook the broader ION context in which individual IORs are embedded, but they also tend to study IORs in isolation from the complex institutional environment in which the IORs, IONs and their IOMCs emerge (Chua and Mahama, 2007). Marchington and Vincent (2004) argued that most of the studies conducted in the inter-organisational context assume that organisations “operate as relatively autonomous and cohesive units that are unimpeded by wider institutional norms” (p. 1029). This implies that the impact of the wider institutional environment on the formation, operations and management of IORs and IONs is under researched (Håkansson and Lind, 2006; Chua and Mahama, 2007; Kraus and Lind, 2007; Caglio and Ditillo, 2008; Kilfoyle and Richardson, 2015).

Simultaneously, the institutional literature (see e.g. Kraatz and Block, 2008; Lounsbury, 2008; Greenwood et al., 2010; Greenwood et al., 2011; Besharov and Smith, 2014) reports that nowadays numerous organisations operate in environments characterised by increasing institutional complexity, which gives rise to diverse institutional demands on organisations operating in such institutional realms (Kraatz and Block, 2008; Greenwood et al., 2011). This is because the institutional fields, in which these organisations operate, are pervaded by multiple institutional logics<sup>1</sup>. Furthermore, the various stakeholders of today's organisations are guided by diverse societal-level institutional logics and thus place divergent, and sometimes conflicting, institutional demands on such organisations. What is more, divergent institutional demands intensify in inter-organisational settings because inter-organisational collaborations tend to occur and operate at the intersection of several institutional fields (Kilfoyle and Richardson, 2015). However, the impact of the multiple institutional logics residing in those fields on IORs, IONs and their IOMCs remains under researched. This is not only because of the absence of studies on the interrelationship between institutional environments and inter-organisational processes and practices in management accounting research focusing on IOMCs in inter-organisational settings, but also because researchers employing institutional analysis have given scant attention to micro-processes and micro-actors, i.e. intra- and inter-organisational practices and organisational actors (Lounsbury and Crumley, 2007; Lounsbury, 2008).

Nevertheless, it has been argued in the institutional literature that certain types of organisations, such as public organisations, tend to be particularly exposed to institutional complexity (Stone and Brush, 1996; Kraatz and Block, 2008; Christensen and Lægveid, 2011). Thus, public

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<sup>1</sup> "In broad terms, an institutional logic is the constellation of beliefs and associated practices [...] These packages of beliefs and practices are organizing principles and recipes for action." (Owen-Smith and Powell, 2008, p. 603). As such, institutions are argued to be "the results of the ways in which actors transpose these institutional logics through precise scripts, rules, and norms in specific contexts." (Leca and Naccache, 2006, p. 632).

organisations are often hybrid in nature, i.e. they incorporate organising principles of various institutional logics (Pache and Santos, 2013a, b; Battilana and Lee, 2014), for example the managerial logic and the bureaucratic logic (Meyer et al., 2014). This is partially because of the recent public sector reforms in a number of countries (Barretta and Busco, 2011; van Helden and Uddin, 2016), i.e. new public management<sup>1</sup> (Tsamenyi and Cullen, 2010).

Furthermore, public sector reforms has resulted in an increased number of IORs and IONs between public and private sector organisations, i.e. mixed type IORs<sup>2</sup> and IONs, in many countries across the world (Broadbent and Laughlin, 2003; Tsamenyi and Cullen, 2010; Barretta and Busco, 2011). These mixed-type collaborative arrangements are argued to provide “important services to their relevant communities” (Barretta and Busco, 2011, p. 21, see also e.g. Carlsson-Wall et al., 2011). However, regardless of the importance and expectations attributed to mixed-type inter-organisational collaborations, little research has been published hitherto focusing on issues concerning the IOMCs deployed by public organisations in their IORs and IONs (Clarke and Lapsley, 2004; Modell et al., 2007; Miller et al., 2008; Barretta and Busco, 2011; Cäker and Siverbo, 2011; Marques et al., 2011)<sup>3</sup>. Marques et al. (2011)

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<sup>1</sup> The trend of introducing various policies, programmes and reforms, namely “the implementation of innovative practices, processes and techniques” (Barretta and Busco, 2011, p. 212) are collectively conceptualised as a ‘New Public Management’ (hereafter NPM). However, a more detailed discussion of NPM is outside the scope of the current thesis.

<sup>2</sup> The use of the term Public Private Partnerships (hereafter PPPs) is deliberately avoided in this thesis. It has been argued that definitions of PPPs differ across the countries (Robert et al., 2014) and this, may lead to confusion. Furthermore, recently it has been contended that “the term PPP has been abused and become a muddle of conceptual ambiguities” (Jamali, 2004, p. 416). It has been suggested that the term ‘partnership’, which constitutes the concept of PPPs, “involves a joint definition of specific goals, and a clear assignment of responsibilities and areas of competence between the partners in the pursuit of a common endeavour” (Jamali, 2004, p. 416). The majority of the PPPs in developing countries do not seem to meet these criteria (Jamali, 2004). Additionally, such an understanding of ‘partnership’ imposes some limitations on the definition of PPPs; for example they do not consider investments by public organisations in private organisations as a form of PPP. Therefore, for the purpose of this thesis, two broader concepts, i.e., public-private IORs and mixed-type IORs, are used interchangeably to describe the various inter-organisational arrangements between public and private organisations, thereby avoiding the term PPPs.

<sup>3</sup> The vast majority of the research concerning IORs, IONs and the IOMC deployed within them has focused on private sector issues (see e.g. Dekker, 2004; Håkansson and Lind, 2004; Emsley and Kidon, 2007; Moeller, 2010; Neumann, 2010).

particularly stressed that very few studies “have specifically tackled the use of management controls in the context of *mixed-type networks*” (p. 569, *emphasis added*).

Further, it has been argued that due to the different institutional logics which shape the behaviour of public and private organisations (Meyer et al., 2014), “public sector forms of inter-organizational collaborations are likely to differ significantly from those observed in the private sector” (Barretta and Busco, 2011, p. 211). Therefore, the results of the studies conducted in the private sector are not always relevant to public organisations. Additionally, mixed-type IORs and IONs are argued to be more complex as well as more difficult to form and maintain, i.e. manage and control, (Broadbent and Laughlin, 2003; Jay, 2013)<sup>1</sup>. These public-private IORs are particularly difficult to manage and control due very often to partners’ differing objectives and differences in their approaches to the management of IORs and also their politics (Broadbent and Laughlin, 2003; Flinders, 2005; Shaoul et al., 2012). More precisely, mixed-type IORs tend to face many institutional and strategic barriers (Klijn and Teisman, 2003).

Moreover, some of the difficulties involved in managing IORs and IONs are particularly prevalent, or even unique, in developing countries<sup>2</sup> (Jamali, 2004; Child et al., 2005; Babatunde et al., 2015). These difficulties are caused by the institutional environment of

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<sup>1</sup> This is partially because public organisations tend to have a hybrid character (Miller et al., 2008; Pache and Santos, 2013a, b; Battilana and Lee, 2014) and thus must enact various logics to legitimise their operations (cf. Kraatz and Block, 2008).

<sup>2</sup> Developing countries, “[w]ith over four billion people and also the fastest-growing population” (Acquaah, 2009, p. 47) and with almost 80 per cent of the world’s consumers (Child and Faulkner, 2005) provide many opportunities yet to be explored in their untapped markets (London and Hart, 2004; Ricart et al., 2004; Acquaah, 2009). Therefore, they have recently become “a critically important global phenomenon” (Hitt et al., 2000, p. 450), and hence demand more empirical research (Hitt et al., 2000; Alawattage et al., 2007; Hopper et al., 2009). Nevertheless, management accounting scholars have tended to ignore developing countries in their research and therefore management control issues in developing countries, particularly in local inter-organisational settings, i.e. between local partners, appear to be under researched (Tsamenyi et al., 2004; Hopper et al., 2009; Tsamenyi et al., 2013).

developing countries in which such inter-organisational collaborations develop and operate (Child and Faulkner, 2005; Babatunde et al., 2012). The issues relating to the institutional environment of developing countries can be “attributed to ambiguous laws and regulations, and to the ineffective and/or corrupt workings of the government bureaucracy” (Child and Faulkner, 2005, p. 273) and this can have a significant impact on the operations and management of IORs and IONs, and in particular mixed-type networks (Jamali, 2004; Appuhami et al., 2011; Babatunde et al., 2015). Nevertheless, as mentioned earlier, the majority of studies ignore the institutional environment of IORs (see e.g. Marchington and Vincent, 2004; Caglio and Ditillo, 2008; Lounsbury, 2008) and, in particular, the context of developing countries appears to be under researched (Hopper et al., 2009; Babatunde et al., 2012).

There is therefore a need for further country specific (in-situ) and micro-level studies to examine the impact of complex institutional environments, i.e. institutional complexity, on IORs and IONs in developing countries. In particular, the question of how multiple institutional logics impact on the inter-organisational processes and practices of public organisations, which tend to be hybrid in nature, has not yet received much research attention. These under researched areas provided the motivation for this study.

## 1.2. Research Problem, Aim, Questions and Objectives

Although the number of IORs and IONs is increasing, high failure rates of IORs, as well as IONs, have been widely documented (Langfield-Smith and Smith, 2003; Cuganesan and Lee, 2006), especially in developing countries (Tsamenyi et al., 2013). However, there is no consensus in the literature as to why this is happening. In general, the reasons for failure are often attributed to the deployment of inappropriate IOMCs (Groot and Merchant, 2000; Tsamenyi et al., 2013) or their inefficacy (Anderson et al., 2000; Tomkins, 2001; Dekker, 2004). To solve this problem, management accounting scholars have called for studies which explore the linkages between various IOMCs and their antecedents (Cuganesan and Lee, 2006). As such, numerous management accounting researchers argue that management accountings studies in inter-organisational settings should deploy non-functionalist theoretical perspectives to explain the processes and dynamics through which various IOMCs are formed in different contexts, such as a specific country, industry or ION, (see e.g. Coad and Cullen, 2006; Håkansson and Lind, 2006; Kraus and Lind, 2007; Caglio and Ditillo, 2008)<sup>1</sup>. Although, some studies partially address these calls using non-functionalist frameworks to explain the nature of IOMCs (see e.g. Håkansson and Lind, 2004; Mouritsen and Thrane, 2006; Chua and Mahama, 2007; Kilfoyle and Richardson, 2015), these studies, while enriching our understanding of IOMCs, have overlooked not only the influence of the complex institutional environments in which these IONs operate, but also the dynamic processes which underpin the development and use of IOMCs (cf. Marques et al., 2011). As such, our understanding of the impact of multiple institutions underpinned by the various institutional logics which “shape the collective construction of problems” (Kilfoyle and Richardson, 2015, p. 558) in IORs and IONs is limited (Phillips et al., 2000). The overarching aim of the current study is therefore to gain

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<sup>1</sup> Functionalist theories are argued to be unable to explain processes and dynamics as they provide a rather static view of IOMCs and, what is more, are incapable of explaining an in-situ context, instead they provide general and generalisable explanations.

an in-depth understanding of the impact of multiple institutional logics on the processes of forming and maintaining a mixed-type ION comprising various IORs. The study also aims to understand how these multiple logics shape the IOMCs deployed by a public (hybrid) organisation for its IORs and ION in a developing country. To facilitate the attainment of the research aim, the following research questions are addressed in this study:

1. How are IORs and IONs developed by public (hybrid) organisations operating under the conditions of institutional complexity?
  - a. How are various institutional logics, extant and emerging in complex institutional realms, reflected in the formation processes of IORs and IONs?
2. How are multiple logics reflected in the various IOMCs deployed by public (hybrid) organisations, both at the IOR-level and at the ION-level?
  - a. How does the use of IOMCs at the IOR-level differ from the use of IOMCs at the ION-level?

In order to answer these research questions, a case study is undertaken of the ION of a public (hybrid) organisation, namely a public pensions fund, which will be referred to as PenFund<sup>1</sup>, operating in a Western Sub-Saharan African Country (hereafter WSSAC<sup>2</sup>). To guide the investigation, the study has the following objectives:

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<sup>1</sup> Due to the confidentiality agreement, the anonymity of the organisation must be ensured. In order to do so the original name of the organisation is concealed, and it is referred to as PenFund throughout the thesis.

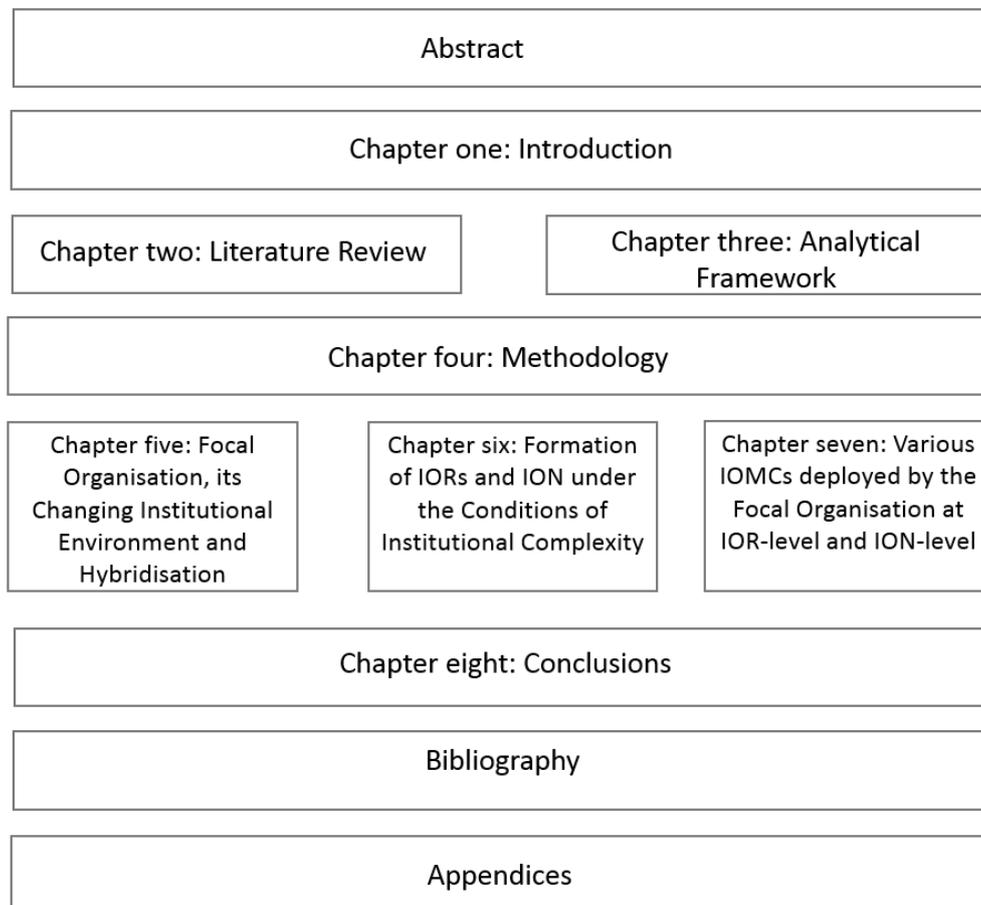
<sup>2</sup> In order to ensure anonymity of the case organisation the name of the country must also be concealed.

1. To examine the institutional environment of the case organisation and identify the logics extant in the pensions field.
2. To explore the processes of the IORs and ION formation and the impact of various logics on these processes.
3. To identify the IOMCs deployed by PenFund in its IORs and ION and to understand how these IOMCs are shaped by institutional logics.
4. To examine the differences between the use of IOMCs at the IOR-level and the ION-levels.

### 1.3. Structure of the Thesis

As presented in Figure 1.1, the current thesis is structured in eight Chapters.

*Figure 1.1 Structure of the Thesis*



Following this Introduction, in Chapter two the literature relevant to the current study is critically reviewed. In this Chapter the theoretical frameworks deployed in various inter-organisational settings are reviewed, then the various types of IOMCs studied in such these settings are explained and subsequently the very few studies that adopt the ‘whole network’ perspective are discussed. The gap in the management accounting literature concerning developing countries is noted in this Chapter.

Chapter three explains the theoretical groundings of the study; specifically, the institutional logics approach and its relevance for interpreting the research findings are explained. Additionally, in this Chapter the only study which has been identified as deploying the institutional logics perspective to study IOMCs is critically reviewed and subsequently the analytical framework developed for this thesis is presented.

Chapter four discusses the overall methodology of this study, including the philosophical stance of the researcher<sup>1</sup>, the research strategy and methods of data collection and analysis, as well as the practicalities of conducting the case study are discussed.

Chapters five, six and seven analyse the research findings and discuss the results. In addition, to facilitate the interpretation of the findings, Chapter five explains the context of the case organisation. Further, Chapter five analyses the changing institutional realm of PenFund which has contributed to its hybridisation. In this Chapter, the use of PenFund’s investment portfolio as an example of an ION is explained. Following this, the formation of the various IORs and the ION, as a response to the institutional complexity, is discussed. Then, in Chapter seven, the various IOMCs deployed by PenFund to manage, control and coordinate its IORs and the ION

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<sup>1</sup> I refer to myself as ‘the researcher’.

are explained. In addition, how these IOMCs are shaped by the various institutional logics is also discussed. It is explained that the incorporation of different logics into PenFund's IOMCs facilitates the maintenance of PenFund's hybrid character. Additionally, it is also explained how informal institutions, which are underpinned by various institutional logics, in WSSAC impede the enactment of some of the IOMCs.

Finally, Chapter eight provides a summary and conclusions of the thesis. As well as a summary of the research findings and the researcher's reflections on the study's research design, the contributions of the thesis and limitations are presented, together with an indication of the opportunities for future research.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1. Introduction

In order to facilitate the achievement of the overall aim of current thesis, this Chapter reviews the empirical and theoretical literature which studies IORs, more precisely IORs embedded in wider IONs, and the IOMCs deployed or relied upon in these IORs and IONs. The aim of this Chapter is not only to present the state of art in this field, but also to critically evaluate its achievements and contributions. Such an approach enables the researcher to identify areas that warrant further research, and provide the basis for later explanations of how the current study contributes to closing gaps in the existing literature.

Numerous studies have been undertaken on management controls in inter-organisational settings (see e.g. van der Meer-Kooistra and Vosselman, 2000; Tomkins, 2001; Dekker, 2003, 2004; Håkansson and Lind, 2004; Coad and Cullen, 2006; Mouritsen and Thrane, 2006; van der Meer-Kooistra and Vosselman, 2006; Dekker, 2008; Free, 2008; Vosselman and van der Meer-Kooistra, 2009; Marques et al., 2011; Kilfoyle and Richardson, 2015). Although some scholars (see e.g. Dekker, 2004; van der Meer-Kooistra and Vosselman, 2006) argue that accounting researchers have been slow to incorporate the concept of IORs into their research, the aforementioned publications have already made significant contributions to the accounting literature concerning IOMCs in IORs and IONs. Moreover, numerous attempts have already been made to provide reviews of these studies (see: Håkansson and Lind, 2006; Kraus and Lind, 2007; Caglio and Ditillo, 2008; Meira et al., 2010). In these reviews scholars have argued that, despite all the progress in the inter-organisational literature, the topic of IOMCs in various IORs, especially in wider IONs, “has only been marginally investigated” (Ditillo and Caglio, 2009, p. 49) and there are still many issues that need empirical examination and theoretical explanation (Provan et al., 2007; Caglio and Ditillo, 2008; Meira et al., 2010). Additionally,

studies reviewing literature concerning management control systems in general, not only in the inter-organisational context (see e.g. Otley et al., 1995; Merchant and Otley, 2006; Malmi and Brown, 2008; Berry et al., 2009), have indicated that in order to expand our understanding of IOMCs more empirical research is required.

The literature review draws on the aforementioned reviews, but in an effort to differentiate this review from its predecessors an attempt was made to synthesise the contributions of the former reviews, while at the same time focus on IONs and their IOMCs. The field of IONs' research is very fragmented. This is due to the fact that the research on IONs has spanned different disciplines, such as accounting, business studies, strategic management, public administration, sociology and many more, each deploying various theoretical lenses and therefore requiring some structure. The literature review conducted in the current thesis provides a thematic approach to reviewing this “emerging and developing field of study” (Provan et al., 2007, p. 479).

Furthermore, compared to the previous reviews, the literature review on IONs and their IOMCs provided in this thesis incorporates insights offered by additional material, such as the literature published not only in major accounting journals but also in other relevant literatures, coming from various scientific fields, for example management studies (Phillips et al., 2000; Marchington and Vincent, 2004; Kumar and Das, 2007) and public administration (Isett and Provan, 2005; Provan and Kenis, 2008). Additionally, contributions of more recent management accounting publications which were not accounted for in the previous reviews (see e.g. Cristofoli et al., 2010; Neumann, 2010; Cäker and Siverbo, 2011; Carlsson-Wall et al., 2011; Marques et al., 2011; Fayard et al., 2012; Mineev, 2012; Vosselman, 2012; Tsamenyi et al., 2013; Amans et al., 2015; Kilfoyle and Richardson, 2015; Johansson et al., 2016;

Mahama and Chua, 2016; Minnaar et al., 2017) are also critically evaluated and incorporated into this review. Such a comprehensive review of up-to-date literature on IONS and IOMCs enables the researcher to identify the areas which have been hitherto neglected by management accounting scholars but are very important for the effective management and control of IONS.

The remainder of the Chapter is divided into six sections. The main aim of the next two sections (2.2. and 2.3) is to set a scene for the current research while identifying some limitations of the reviewed studies. Therefore, section 2.2. briefly reviews theoretical approaches, which have been employed to study IORs, explains the concepts of IORs and IONS and elucidates the ‘whole network’ perspective to the study of IOMCs adopted in the current thesis. Next, section 2.3. explains various types of IOMCs. This is followed by section 2.4, which critically reviews the limited number of studies that have applied the ‘whole network’ perspective to study IOMCs. Next, in section 2.5., the dearth of the literature dedicated to study IOMCs deployed by public organisations, despite the increasing number of public-private IORs and IONS, is discussed. The gaps in the literature are synthesised and opportunities for further research are discussed in the penultimate section (2.6.). Finally, the last section (2.7.) provides a summary of the Chapter.

## 2.2. Conceptualising Inter-organisational Setting<sup>1</sup>

A significant growth of IORs has been observed in the recent decades (Groot and Merchant, 2000; van der Meer-Kooistra and Vosselman, 2000; Håkansson and Lind, 2006; van der Meer-Kooistra and Vosselman, 2006; Kraus and Lind, 2007; Ding et al., 2010; Meira et al., 2010). Such IORs “are characterised by being both closer and more long-term than relationships between companies involved in occasional buying and selling [...] interdependence is a central ingredient in inter-organisational relationships.”<sup>2</sup> (Kraus and Lind, 2007, p. 269). It is argued that such inter-organisational arrangements emerge from the need to coordinate resources, operations and activities to meet the predetermined objective of organisation/s forming such an IOR. The increasing number and significance of IORs puts new demands on managers and affects management controls (Kraus and Lind, 2007; Caglio and Ditillo, 2008; Van der Meer-Kooistra and Scapens, 2008; Meira et al., 2010; Caglio and Ditillo, 2012; Kraus and Strömsten, 2016). IORs require accounting<sup>3</sup> and other (management) controls that span boundaries of an organisation. As one of the first studies, Hopwood (1996) identified a need to better understand the role of (management) accounting and control systems in IORs. In response to his call accounting researchers, drawing on multiple theoretical perspectives, have examined various implications of inter-organisational settings for management control.

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<sup>1</sup> “The ‘inter-organisational setting’ [...] has arisen from a combination of experience and theoretical models. The actual setting—how companies relate to each other today—is a result of the experiences had by all companies and by other organisations that have had dealings with companies over the last few centuries” (Håkansson and Lind, 2006, p. 885). Moreover, from the theoretical point of view, a wide range of approaches have been applied to expand our understanding of how inter-organisational setting functions (Håkansson and Lind, 2006; Kraus and Lind, 2007; Meira et al., 2010).

<sup>2</sup> For the purpose of this research IORs are conceptualised using such a broad approach. This allows the researcher to include relations which are developed through equity investments, namely investor-investee relations, in the term IOR.

<sup>3</sup> “Accounting encompasses a rather complex set of techniques, methods, and rules that, together constitute the practice applied by companies” (Håkansson and Lind, 2006, p. 885).

### 2.2.1. Diversity of Theories Deployed to Study IORs in Different Settings

IORs and their accounting and management control processes have been examined using various theoretical lenses, namely transaction cost economics (hereafter TCE) (see e.g. van der Meer-Kooistra and Vosselman, 2000; Dekker, 2003; Langfield-Smith and Smith, 2003; Dekker, 2004; Anderson and Dekker, 2005; Donada and Nogatchewsky, 2006; Dekker, 2008; Langfield-Smith, 2008; Richardson and Kilfoyle, 2009; Anderson et al., 2015), agency theory<sup>1</sup> (see e.g. Gietzmann, 1996; Baiman and Rajan, 2002; Kulp, 2002), organisation and contingency theories (see e.g. Kajüter and Kulmala, 2005) resource-based theory (see e.g. Hitt et al., 2000; Ireland et al., 2002; Anderson and Dekker, 2009; Fayard et al., 2012), structuration theory (see e.g. Seal et al., 2004; Free, 2008; Coad and Glyptis, 2014), evolutionary theories (see Coad and Cullen, 2006) and network theories such as industrial network theory (see e.g. Håkansson and Lind, 2004) and actor network theory (hereafter ANT) (see e.g. Cuganesan and Lee, 2006; Mouritsen and Thrane, 2006). Moreover recently, management accounting researchers have started to incorporate various institutional approaches, such as institutional entrepreneurship (see Kilfoyle and Richardson, 2015) and institutional logics approach (see Mineev, 2012), into their research. The diversity of theoretical perspectives employed to inform the inter-organisational research has had a significant impact on its conclusions, emphasis and limitations. This is because these theories imply the way in which empirical problems are formulated and analysed (Håkansson and Lind, 2006).

In order to introduce a more structured understanding of the contributions brought into inter-organisational research by the aforementioned theories they can be grouped according to their underlying philosophical assumptions (Baxter and Chua, 2003; Håkansson and Lind, 2006; Kraus and Lind, 2007; Håkansson et al., 2010a). Subsequently, they have been grouped into

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<sup>1</sup> Agency theory has also been labelled as *incomplete contracting theory* (Håkansson and Lind, 2006).

two categories, namely functionalist theories<sup>1</sup> and non- functionalist (alternative) theories<sup>2</sup>. Functionalist theories are characterised by a distinct structure and include all frameworks that are rooted in positivist philosophy; whereas the group of alternative theories constitutes heterogeneous philosophical assumptions, such as interpretivism, social–constructionism and post-modernism.

The literature review revealed that the vast majority of the management accounting studies in inter-organisational settings has applied functionalist approaches to study inter-organisational phenomena and particularly TCE and agency theory (Håkansson and Lind, 2006) with TCE being the dominant one (Berry et al., 2009; Vosselman and van der Meer-Kooistra, 2009; Meira et al., 2010). TCE intends to clarify the match between activities to be controlled (transactions) and control structures (governance), and holds that the characteristics of the activities and the credentials of the control structures determine and explain which of these control structures are appropriate and which are not for particular activities (van der Meer-Kooistra and Vosselman, 2000; Spekle, 2001; Cooper and Slagmulder, 2004). Hence, it has been argued that TCE implicates research on IOMCs through specifying the most suitable type of governance for coordinating transactions. Kraus and Lind (2007) claim that TCE provides criteria for answering the question “[u]nder what circumstances should an inter-organisational relationship be chosen as the most suitable governance form?” (p. 282). Meira et al. (2010) reports that TCE is helpful, in relation to the inter-organisational environment, as “it addresses the question of what determines which inputs will be acquired by the company through exchanges in the market and which will be produced within its legal barriers.” (p. 155). For example, van der

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<sup>1</sup> Functionalist theories have also been labeled as market-based or positivist theories; however, in order to avoid confusions, the researcher uses the term ‘functionalist’. Functionalist theories include Agency Theory, Resource-Based Theory, Organisational, Contingency Theories and TCE which is also the most frequently employed theory.

<sup>2</sup> The researcher uses the terms non-functionalist and alternative theories interchangeably. However this group of theories has also been labeled as non-positivist or organised structure theories. The group of alternative theories includes theories such as structuration theory, evolutionary theory, institutional approaches and network theories.

Meer-Kooistra and Vosselman (2000) applied TCE to investigate how organisations can structure IOMCs in outsourcing relationships. They developed three control patterns, namely market-based, bureaucracy and trust-based pattern, which comprise various formal and informal controls. Whereas Kamminga and van der Meer-Kooistra (2007), also using TCE, distinguished three different control patterns, namely content-based, consultation-based, and context-based, that should facilitate developing IOMCs in joint ventures. Dekker (2004) also applied TCE to develop a control framework consisting of outcome, behaviour and social control. Dekker reported that transactional characteristics, such as degree of asset specificity, uncertainty and frequency are associated with appropriations concerns; whereas coordination's requirements are mainly concerned with issues of creating value for the IORs. In general TCE based studies explain observable and apparently stable IOMCs which are argued to be a consequence of economically rational decisions made by human actors which seek to increase efficiency as well as to protect organisation against opportunistic behaviours of potential partners (van der Meer-Kooistra and Vosselman, 2000).

Furthermore, studies applying TCE argue that control structures offer stable responses to control problems. Because of this "stable" approach, TCE is often criticised for not appreciating the possibility of change. van der Meer-Kooistra and Vosselman (2006) argue "TCE does not take into account the potential for control structures and practices to enforce changes in other organisational processes and in organisational boundaries. In short, it does not account for dynamics." (p. 233). Additionally, Burns and Scapens (2000) argue this theoretical framework is "more concerned with predicting the rational or 'optimal' outcomes, rather than explaining the unfolding process in moving from one equilibrium state to another" (p.4). However, the main criticism of TCE is that it assumes that the key motive to engage into any sort of IORs is 'transaction cost minimisation' (Dekker, 2004). Moreover, reporting systems

rarely measure such costs, therefore another weakness of TCE is its inability to quantify these transaction costs (Child *et al.*, 2005). Also TCE does not account for other factors that might have influence on the structure of IORs and IOMCs, such as the institutional environment<sup>1</sup> or historical conditions (Cristofoli *et al.*, 2010; Meira *et al.*, 2010; Johansson *et al.*, 2016). Coad and Cullen (2006) summarised TCE criticisms by saying that “[w]hilst transaction cost economics supplied a valuable framework for early studies, it was found to have limitations regarding detailed exploration of inter-organisational phenomena.”(p. 343). More specifically, it lacks the capacity to explain modern, complex IORs and their environments (Cristofoli *et al.*, 2010; Johansson *et al.*, 2016).

Child *et al.* (2005) and Samaddar *et al.* (2006) contended that agency theory has been widely applied in situations where companies enter into relationships with entities external to the organisation. Agency theory-based research on IOMCs highlights the importance of self-interest and incentives because these are considered significant factors when it comes to efficient co-operation between organisations. Thus, agency theorists frame the IORs challenges mainly as incentive problems, namely: the hidden action problem and the hidden information problem (Chua and Mahama, 2007). Moreover, Eisenhardt (1989a) suggested that agency theory is concerned with the inherent goal conflict between organisations with differing objectives that enter into IORs. Although Agency Theory has been widely used to guide IOCMs studies (see e.g. Baiman and Rajan, 2002; Kulp, 2002), Spekle (2001) argues that its primary focus on minimising the agentive behaviour of IORs’ partners hinders it from capturing the complexity of IOMCs.

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<sup>1</sup> The current study adopts the definition of institutional environment introduced by Richardson and Kilfoyle (2016) who argue that generally, the institutional environment is “organised according to a limited set of institutional logics” (p. 35), which underpin various types of institutions, such as formal and informal. More precisely, “[t]he institutional environment is comprised of regulatory bodies, professions and the normative elements of organisational fields (e.g. industry norms, codes of conduct, customary business practices)” (*ibid.*, p. 35).

In general, the functionalist studies have provided important insights into the inter-organisational research by viewing IORs “as a mechanism with which to handle governance in some specific situations” (Håkansson and Lind, 2006, p. 898)<sup>1</sup>. They focus on how IORs might be designed and managed using a mix of various control modes (see e.g. van der Meer-Kooistra and Vosselman, 2000; Dekker, 2004; Vosselman and van der Meer-Kooistra, 2006). The functionalist studies have contributed to expanding our understanding of how to design governance structures in order to minimise transaction costs and risk (see e.g. Das and Teng, 2001; Dekker, 2008; Richardson and Kilfoyle, 2009), how to structure IORs and IOMCs to align them with specific organisational characteristics (see e.g. Dekker, 2004; Vosselman and van der Meer-Kooistra, 2006; Kamminga and van der Meer-Kooistra, 2007; Ding et al., 2013), how to design IOR contracts to align partners objectives and minimise agentive behaviour (see e.g. Gietzmann, 1996; Baiman and Rajan, 2002; Kulp, 2002) and how to position organisations amongst the competition to be able to manage resources and interdependencies effectively (see e.g. Das and Teng, 2000; Hitt et al., 2000; Anderson and Dekker, 2009; Fayard et al., 2012). As such, functionalist studies assume that IOMCs “are negotiated and rationally decided upon by managers in search of efficiency” (Minnaar et al., 2017, p. 31), thereby ignoring the ‘non-rational’ aspect of IOMCs.

Moreover, functionalist management accounting research tends to focus on general patterns of control and general characteristics of organisations, parties and transactions, and it ignores subjectivity and complex interrelationships between the institutional environment, actions,

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<sup>1</sup> “It has been shown that, from a theoretical point of view, inter-organisational relationships primarily encompass two different sets of control issues. First, there is the issue of governance; an agreement between the companies in relationship, specifying how monetary gains or losses are to be divided, is required. [...] Second, there is the issue of how the inter-organisational relationship develops. [...] these two issues are stressed to a greater or lesser extent depending on the theoretical underpinnings of the study” (Kraus and Lind, 2007, p. 294). The research deploying functionalist theories, particularly TCE and agency theory, focuses on appropriation concerns as the most important issue to be addressed by IOMCs; whereas, the research which examines IORs through the lens of alternative theories focuses on the second issue, thereby highlighting the importance of interaction processes and subsequently providing a more dynamic analysis of IOMCs.

multiple goals and management controls (Ryan et al., 2002; Meira et al., 2010). Ryan et al. (2002) reported that in management accounting studies functionalist theoretical approaches “may be useful for predicting general trends, but they will not be helpful in explaining individual behaviour; nor are they likely to be useful as guides to individual managers or firms about their own economic behaviour” (p.79). Furthermore, functionalist research in an inter-organisational setting has been heavily criticised for providing deterministic, instrumental, static and very general recommendations on relationships between specific variables, while at the same time ignoring the context in which the variables are embedded, e.g. the particular organisation, specific sector or industry. Therefore, functionalist theoretical frameworks lack the capacity to inform studies examining complex IORs and their IOMCs which are embedded in complex institutional environments<sup>1</sup>. Caglio and Ditillo (2012) explain that IORs “possess specific characteristics that challenge the extant theoretical frameworks and conclusions, thus calling for additional research efforts.”<sup>2</sup> (p.58).

What is more, it has been argued that functionalist studies “close off interesting questions about the possibly diverse origins... and [about] the dynamics of [IORs and IONs]” (Mahama and Chua, 2016, p. 30). The functionalist approach suggests that IORs and IONs are a result of the failure of markets and hierarchies (Provan and Kenis, 2008; Mahama and Chua, 2016). Due to the fact that the literature is dominated by the functionalist studies we are left with an idea that inter-organisational collaborations are always entered into ‘rationally’ (Mahama and Chua, 2016). Because of this “the processes and practices by which these relationships come into being and are sustained” remain under-researched (Mahama and Chua, 2016, p. 30)<sup>3</sup>.

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<sup>1</sup> For these reasons, the functionalist frameworks are insufficient to explain the findings of the study conducted for this thesis. Moreover, philosophical underpinnings of functionalist frameworks differ from the philosophical assumptions of the current thesis.

<sup>2</sup> Thus the research develops a more complex analytical framework, which is presented in the next Chapter.

<sup>3</sup> The current study addresses this neglect and attempts to expand our understanding of the development processes of IORs, IONs and IOMCs.

Due to the aforementioned limitations of the functionalist frameworks, it has been argued that research in inter-organisational settings should apply theories that would allow the accounting scholars to overcome the aforementioned criticism (Caglio and Ditillo, 2008; Langfield-Smith, 2008; Meira et al., 2010). Alternative theories are seen as way of addressing these limitations. Alternative theoretical approaches are processual in nature, rather than static and instrumental, and compatible with research of accounting in action and in specific context (Baxter and Chua, 2003; Ahrens and Chapman, 2006). Such processual approaches acknowledge the subjective character of (management) accounting and stress the need for in-situ research in the accounting field (Dillard et al., 2004), i.e. research in the local settings. Furthermore, processual approaches facilitate pluralistic understanding of control structures and processes. In the alternative studies, organisational actors are not assumed to act opportunistically, therefore the appropriation concerns are not the primary concern of this type of research (Håkansson and Lind, 2006; Kraus and Lind, 2007). The main focus is rather on the impact of various organisations involved in IORs on each other and implications of this influence on the IOMCs deployed. However, none of the alternative frameworks have yet dominated the management accounting literature on IOMCs, in the way TCE and agency theory have done in the functionalist management accounting research on IOMCs. Thus, the researcher will evaluate their contributions and limitations in a more collective manner.

So far alternative studies in inter-organisational settings have contributed to developing our understanding of, for example the issues of power<sup>1</sup> and trust<sup>2</sup> in the IORs (see e.g. Coad and

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<sup>1</sup> Power represents “the means through which intentions are to be achieved, and powerful individuals' desires exerted on others” (Burns, 2000, p. 569). Moreover, power often represents political activities undertaken by an actor to achieve desired outcomes (Burns, 2000). In consequence it can be argued that “power derives from the ability to influence substantive outcomes, while politics are considered to be power in action” (Kraus and Strömsten, 2016, p. 3). Such a definition allows the researcher to apply a dynamic perspective to examine power relations and their impact on IOMCs developed by the case organisation.

<sup>2</sup> From a dynamic perspective trust can be defined as “an accomplishment constructed through the actions and routinised, situated practices of multiple actors” (Mahama and Chua, 2016, p. 32).

Cullen, 2006; Free, 2008; Coad and Glyptis, 2014; Kraus and Strömsten, 2016), the role of various organisational actors in shaping the IOMCs (see e.g. Marques et al., 2011; Mineev, 2012; Kilfoyle and Richardson, 2015) and how changes in one IOR can affect other interconnected IORs (see e.g. Håkansson and Lind, 2004; Mouritsen and Thrane, 2006). Although alternative frameworks enable a multifaceted understanding of the management accounting issues in IORs (van der Meer-Kooistra and Vosselman, 2006), the studies published hitherto have failed to address some important issues in the inter-organisational accounting literature<sup>1</sup> (Caglio and Ditillo, 2008; Meira et al., 2010). Thus, there are still gaps in the literature that need to be filled.

For example, management has been “portrayed as the sole interest group [in IORs] and the degree to which non-managerial interest groups can genuinely” impact the formation of the IORs and the deployed IOMCs has been ignored (Kraus and Lind, 2007, p. 293). However, organisations are argued to be a mosaic of groups constituting various organisational actors, rather than a monolithic phenomenon (Greenwood and Hinings, 1996). Moreover, organisations do not exist in vacuum, but in a complex institutional environment which is made up of various institutions<sup>2</sup> and which places different, often conflicting, demands on organisations operating within this environment (Kraatz and Block, 2008; Greenwood et al., 2011). Therefore, there is a need to examine IORs “in terms of multiple interest groups” (Kraus and Lind, 2007, p. 293), within organisations, between the organisations (in IORs) and outside

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<sup>1</sup> Moreover, alternative frameworks are not without their limitations, and some of these frameworks have been criticised. For example, ANT has been widely criticised for its symmetrical treatment of human and non-human actors, which leads to unequal power relations amongst network parties (Doolin and Lowe, 2002; Whittle and Spicer, 2008). Doolin and Lowe (2002) suggested that because of the equal treatment of human and non-human agents, the relativist ontology of the framework provides inappropriate conceptualisation of social structures and moral relativism.

<sup>2</sup> Institutions are taken-for-granted rules and practices (Burns and Scapens, 2000) which are underpinned by institutional logics. More precisely an institution is “a relatively stable collection of practices and rules [i.e. institutional logics] defining appropriate behaviour for specific groups of actors in specific situations. Such practices and rules are embedded in structures of meaning and schemes of interpretation that explain and legitimise particular identities and the practices and rules associated with them.” (March and Olsen, 1998, p. 948).

organisations (in the external environment). All these groups can be assumed to have their own rationalities (logics) (Hopper and Powell, 1985) and very often also different, or even mutually exclusive, objectives<sup>1</sup>. In consequence, these groups put different pressures on organisations. However, the implications of pressures from the external (environmental) interest groups on IORs and their IOMCs has been particularly neglected. The current study addresses this neglect by examining the complex interactions between intra-organisational dynamics and the institutional environment which have an impact on the formation of the focal organisation IORs and ION and which shape the development of the IOMCs deployed by the focal organisation.

Furthermore, the dynamic processes which underlie the formation of IORs and the development and enactment of IOMCs and control have been under-researched so far. The majority of the studies focus on the examination of IORs ‘in their current state’ (see e.g. Marques et al., 2011; Kilfoyle and Richardson, 2015; Mahama and Chua, 2016), thereby ignoring the impact of the dynamics of the development processes on the examined IOMCs (see e.g. Marques et al., 2011; Kilfoyle and Richardson, 2015). Thus, it can be argued that the contingencies and processes which shape, i.e. cause differences in, the formation of IORs, IONs and IOMCs have not yet been examined in any depth by management accounting researchers. Therefore, we have limited understanding of how external institutions interact with the dynamics inherent in the intra- and inter-organisational environment and with the purposeful organisational actors<sup>2</sup> in shaping the formation of IORs and IONs and the development of IOMCs deployed within them.

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<sup>1</sup> Thus, a unity of inter-organisational goals in IORs should not be assumed. However, many definitions of IORs imply that organisations aim to achieve ‘a common goal’. Therefore, amongst other reasons, the researcher has adopted a broad definition of IORs which does not imply a unity of partner goals.

<sup>2</sup> Individuals such as organisational actors are “not just social dupes but existential beings who reflexively monitor and provide rationales for the character of the ongoing flow of their social life” (Macintosh and Scapens, 1990, p. 458), i.e. they are purposeful agents. Moreover, these actors “are carriers of institutional meanings... [and] their interpretations can be considered as expressions of agency” (Zilber, 2002, p. 235).

Nonetheless, it has to be noted that alternative frameworks have yet not been widely applied in the study of IOMCs (Berry et al., 2009; Meira et al., 2010). In fact, the scholars investigating management controls in IORs have only just started to deploy these frameworks (Coad and Cullen, 2006; Mouritsen and Thrane, 2006; Chua and Mahama, 2007; Free, 2008; Mineev, 2012; Kilfoyle and Richardson, 2015; Mahama and Chua, 2016; Minnaar et al., 2017)<sup>1</sup>. Therefore, there is still much left to be explored in the IOMCs from the non- functionalist point of view. The current study intends to address these under-researched issues by employing an alternative approach to examine IOMCs.

Furthermore, depending on the theoretical lenses applied, functionalist and alternative inter-organisational studies tend to focus on different forms of IORs<sup>2</sup> which can be described using various terminology, for example supply chain relations, outsourcing relations, strategic alliances, strategic partnerships, public-private partnerships, joint ventures (hereafter JVs), business relationships, networks and many others (see e.g. Tomkins, 2001; Mouritsen and Thrane, 2006; Chua and Mahama, 2007) with the majority of the empirical management accounting studies focusing on investigating supply chains (Mouritsen et al., 2001; Coad and Cullen, 2006; Donada and Nogatchewsky, 2006; Free, 2008; Velez et al., 2008; Agndal and Nilsson, 2009; Fayard et al., 2012) and outsourcing (van der Meer-Kooistra and Vosselman, 2000; Langfield-Smith and Smith, 2003; Cooper and Slagmulder, 2004; Sartorius and Kirsten, 2005; Nicholson et al., 2006; Lamminmaki, 2008; Ryan and Delgado-Sanchez, 2010; Mahama and Chua, 2016; Minnaar et al., 2017). JVs have also received some attention (Groot and Merchant, 2000; Emsley and Kidon, 2007; Kamminga and van der Meer-Kooistra, 2007;

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<sup>1</sup> The review of the alternative (network) studies which offered the most relevant contributions to the current research, namely Marques et al. (2011), Kilfoyle and Richardson (2015) and Mouritsen and Thrane (2006) will be provided in the later sections in this Chapter. Whereas, the Mineev's (2012) study will be evaluated in the next Chapter. This is because of its importance to the analytical framework proposed in the current thesis.

<sup>2</sup> IORs are quite heterogeneous (Kraus and Lind, 2007)

Boland Jr et al., 2008; Cäker and Siverbo, 2011; Tsamenyi et al., 2013); whereas networks have attracted few scholars (Håkansson and Lind, 2004; Kajüter and Kulmala, 2005; Mouritsen and Thrane, 2006; Chua and Mahama, 2007; Moeller, 2010; Marques et al., 2011; Kilfoyle and Richardson, 2015).

All aforementioned IORs can be grouped into three categories which imply different structures, namely non-equity IORs, minority interest IORs and JVs (Das and Teng, 2001; Ditillo and Caglio, 2009). Non-equity IORs can be defined as contracts that do not require any equity and ownership transfer. They can be divided into bilateral contracts based IORs, for example joint R&D and joint marketing activities, and unilateral contract based IORs, such as subcontracting or licensing, which are characterised by a limited engagement, i.e. each partner is responsible for implementing its part of the agreement. Due to the non-equity form of these IORs, they can be easily terminated. Minority equity IORs relate “to one or more partners taking equity positions, without creating a new legal entity” (Ditillo and Caglio, 2009, p. 62). The shared ownership aligns, or is meant to align, the interests of the partners. Minority equity IORs have high governance costs as the aforementioned shared ownership leads to the distribution of control and joint decision making. As a result the management processes are complicated and strategic flexibility is reduced. Whereas JVs are separate and often incorporated entities which are owned by the ‘parents’ (Cäker and Siverbo, 2011). Therefore, in order to establish a JV, a new company has to be set up, which entails a lot of resources, for example senior management has to be staffed and a Board of Directors must be constituted. Since JVs are based on shared equity ownership that usually requires high investment, the potential losses from an unsuccessful JV can be high. Because partners are highly connected the process of either separating or exiting tend to be resource and time consuming. Moreover the investments made are not easily transferable to other businesses.

Furthermore, an organisation can be involved in multiple IORs, thereby establishing an ION of IORs and having to simultaneously manage a mix of IORs (Tomkins, 2001; Kraus and Lind, 2007). The way in which an IOR is structured has significant implications for the applied control mechanisms and the role of trust in the relationship (Das and Teng, 2001). Therefore, the form that IORs take is one of the key issues to be considered when examining IOMCs. However, this is not the only matter that the researchers of the inter-organisational practices should take into account. The other crucial issue is to conceptualise the setting of the IORs. It has been suggested that:

[t]here are two different types of inter-organisational settings that have been covered within the literature: dyadic relationships between two collaborating companies and networks where a relationship is seen as embedded in a set of relationships (Håkansson and Lind, 2006, p. 885).

The setting in which IORs is analysed is crucial to understand how its IOMCs are viewed and examined. Kraus and Lind (2007) have highlighted that “inter-organisational control is viewed in different ways depending on whether inter-organisational relationships are conceptualised as isolated dyads or as relationships embedded in a network of interconnected relationships” (p. 291, see also Håkansson and Lind, 2007).

### 2.2.2. Inter-organisational Relations in a Dyadic Setting

The majority of the management accounting research investigates IORs in a dyadic setting (see e.g. Dekker and Van Goor, 2000; van der Meer-Kooistra and Vosselman, 2000; Dekker, 2004; Anderson and Dekker, 2005; Richardson and Kilfoyle, 2009; Cullen and Meira, 2010), which tends to de-contextualise IORs and IOMCs “from the complex arrangements within which they are embedded” (Caglio and Ditillo, 2008, p. 885). This approach is inextricably linked to the theoretical underpinnings of inter-organisational studies<sup>1</sup> (Berry et al., 2009). As mentioned earlier, the vast majority of inter-organisational studies in management accounting deploys functionalist approaches and in particular TCE. The functionalist theories are apt for studying ‘simple’ dyadic IORs usually, between two partners (Coad and Cullen, 2006; Langfield-Smith, 2008). Moreover, in the functionalist studies IORs are studied in isolation from the complex inter-organisational and institutional environment in which these IORs and their IOMCs emerge and operate<sup>2</sup> (Ryan et al., 2002; Chua and Mahama, 2007), as functionalist approaches are incapable of explaining complex environments<sup>3</sup>. Thus, the dyadic setting examined through the lens of functionalist frameworks provides a very limited explanation of the inter-organisational processes (Coad and Cullen, 2006; Langfield-Smith, 2008; Vosselman and van der Meer-Kooistra, 2009).

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<sup>1</sup> As explained by Håkansson and Lind (2006), “how the empirical problems are formulated is not neutral from a theoretical point of view” (p. 887).

<sup>2</sup> However, it must be noted that economics-based theoretical approaches, such as TCE, acknowledge institutions, but they treat them as exogenous rules and/or constraints that shape organisational behaviour (Scapens and Varoutsas, 2010). Whereas in neo-institutional approach, like the one applied in the current study, institutions are socially constructed, endogenous, embodied in the habits of individuals, groups, organisations and organisational fields and can powerfully shape organisation behaviour (Scapens and Varoutsas, 2010; Mikes, 2012).

<sup>3</sup> The current thesis overcomes these limitations by applying an alternative theoretical approach in conjunction with the ‘whole network’ perspective to study the inter-organisational processes and practices of the case organisation. The non-functionalist network approach makes it possible to capture the effects of the institutional environment and network structures on the IORs and ION formation and the development of IOMCs.

In a dyadic setting, “the focus is on choosing an appropriate blend of controls for inter-organisational relationships” (Kraus and Lind, 2007, p. 294). This means that each IOR, in which an organisation is engaged, is evaluated individually when designing IOMCs. However, it is considered a truism to say that a dyad is “a pair of interacting organisations” (Baker and Faulkner, 2002, p.523 ) making it the basic unit of inter-organisational studies. Nevertheless, Isett and Provan (2005) suggested that “[r]elationships develop between two organisations at a time, so the focus on dyads is not inappropriate. However, the setting in which those relationships develop can have an effect on the character and structure of the relationship.” (p. 150) and on our understanding of the IOMCs deployed in such IORs (Håkansson and Lind, 2004; Marques et al., 2011; Kilfoyle and Richardson, 2015). Therefore, in order to provide a comprehensive explanation of the IOMCs deployed in a particular IOR, the impact of a broader ION in which this IOR is embedded should not be ignored (Caglio and Ditillo, 2008). Kraus and Lind (2007) explained that organisations

[...] need to handle a mixture of inter-organisational relationships, some closer than others. For this purpose *it is useful to perceive the company as a part of a larger network of interconnected inter-organisational relationships in which it is embedded*. The embeddedness and the interdependence of inter-organisational relationships lead to network effects, meaning that changes in the relationship between a company and, for example one of its suppliers can also affect the company’s other relationships [...]. The opposite is also the case, so that any one of the company’s inter-organisational relationships may be affected by events taking place within the interconnected network of relationships. These interconnections impose new demands on management control [IOMCs]. One consequence is that activities and resources can no longer be considered in isolation, and this must be considered in the design and use of management controls (p.270, *emphasis added*, see also Tomkins, 2001).

Therefore, examining IOMCs in an ION setting overcomes the aforementioned limitations of the studies that examined IOMCs from a dyadic perspective (see e.g. van der Meer-Kooistra and Vosselman, 2000; Langfield-Smith and Smith, 2003; Dekker, 2004; Langfield-Smith, 2008; Neumann, 2010).

### 2.2.3. Inter-organisational Relations in a Network Setting

In order to provide a comprehensive explanation of the findings of the case study conducted for the current thesis, it is important to first explain what is understood by the term inter-organisational network (ION). There are different definitions of IONs available in the literature (Kraus and Lind, 2007; Caglio and Ditillo, 2008; Håkansson et al., 2010a; Lind and Thrane, 2010; Kilfoyle and Richardson, 2015). Moreover, it has been argued that it is not always clear what “network scholars” are talking about when they use the term ‘inter-organisational network’ (Provan et al., 2007). This is due to the confusion caused by differing definitions of network boundaries, which is one of the key issues in network research (Lind and Thrane, 2005) as defining network boundaries is crucial for understanding which organisations should be included in the research. Anderson et al. (1994) argue that “any business *network boundary* is arbitrary and *depends on the [researcher’s] perspective*” (p.4 emphasis added)<sup>1</sup>. On the one hand, some of the definitions are very broad and the boundary of a network is rather blurry, like for example in the definition introduced by Brass et al. (2004), who explain networks as:

[...] a set of nodes and the set of ties representing some relationship, or lack of relationship, between the nodes. We refer to the nodes as actors (individuals, work units, or organisations). The particular content of the relationships represented by the ties is limited only by a researcher's imagination (p. 795).

However, on the other hand, there are definitions which are quite narrow and the boundary of such a network can be easily depicted, like for example in one of the definitions proposed by Mouritsen and Thrane (2006):

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<sup>1</sup> Provan et al. (2007) argued that questions about network boundaries are best answered by individual researchers, based on their knowledge of the network and its activities. Furthermore, according to Anderson et al. (1994), actors have limited knowledge about the networks in which they are engaged. This is not only due to the fact that networks extend without limits through connected IORs, making the network boundary quite arbitrary, but also because of the “invisibility of network relationships and connections” (Anderson et al., 1994, p. 4). For example, some organisations forming IORs with the focal organisation might not consider themselves to be part of any network. However, theoretically they can be considered to be members of the focal organisation’s network. Therefore, in the case study later in this thesis, the researcher identifies the organisations that are considered to be members of the focal organisation’s network, to the best of her knowledge.

[a] network is a bureaucracy that has defined its own goals and its own hierarchy. This conceptualisation is one where relations have been stabilised by certain ‘formalising devices’ such as legality and management structures (p. 245).

With reference to the above definitions it can be claimed that the general consensus when defining networks is that they are formed by legally independent organisations and comprise the relations between them. In order to explain the inter-organisational processes examined in the current study, the researcher uses a definition of a network which is less general than the one provided by Brass et al. (2004), but more inclusive than the one provided by Mouritsen and Thrane (2006). Thus, the definition deployed in the current study explains an ION as a set of two or more connected<sup>1</sup> IORs, within which each IOR is between organisations that are conceptualised as collective actors (Cook, 1977; Anderson et al., 1994). The understanding of an ION in the current study follows from the argument of Håkansson et al. (2010a) who contended that:

[a] characteristic of research on accounting in networks is the concern about the effect on and the impact of third parties on the firm [organisation] or firms [organisations] under investigation. The focus on these indirect effects means that research on accounting in *networks extends the perspective to include parties other than the pair involved in the dyadic relationship* (p. 7, *emphasis added*).

In this way accounting in networks is quite a broad topic which includes “studies of how firms [organisations] use inter-organisational accounting and other [management] controls in dyadic relationships to influence their counterparts within the networks approach” (Håkansson et al., 2010a, p. 7)<sup>2</sup>. Furthermore, as mentioned earlier, it is important to examine organisations as a part of the wider ION in which they are embedded (Tomkins, 2001; Kraus and Lind, 2007). Hence, in the current study the researcher perceives the focal organisation as a part of a larger network of IORs in which it is embedded. More precisely, the researcher argues that the focal

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<sup>1</sup> Connected IORs means the extent to which the “exchange” in one IORs depends on the exchange or lack of exchange in other IORs.

<sup>2</sup> Although this is a broad view, compared to the definition of Brass et al. (2004), who also include ‘lack of relationship’, the view adopted in the current study is less general.

organisation is embedded in an ION which constitutes all of its IORs, i.e. the IORs in which focal organisation is engaged. Thus, it can be claimed that the unit of primary interest in this research is the ION of the focal organisation, which includes “those organisations with which the focal organisation has direct links” (Aldrich and Whetten, 1981, p. 386). As Kraus and Lind (2007) explained:

[i]f particular inter-organisational relationships are considered to be embedded within a network of interconnected relationships, it is not enough to focus separately on each inter-organisational relationship when discussing the design and operation of inter-organisational control systems [IOMCs]. Instead consideration must be given to how control operates in the whole interconnected set of inter-organisational relationships (p. 285, see also Tomkins, 2001; Håkansson and Lind, 2004; Lind and Thrane, 2005).

Drawing from the above, the current study recognises that IORs of a focal organisation cannot be evaluated separately as they are all interconnected to some extent through the focal organisation, which has to simultaneously handle multiple IORs<sup>1</sup>. Therefore, the IOMCs should be deployed in a way which enables the focal organisation to manage not only each IOR, but also interconnections between them (Tomkins, 2001; Håkansson and Lind, 2006; Marques et al., 2011). Hence, in the current study an IOR will be considered as a part of larger ION, such as the ION of a focal organisation, where changes in one of the IORs of a focal organisation can have implications for the others with which focal organisation is engaged.

Furthermore, this study follows and expands the approach deployed by Marques et al. (2011) who adopt a network level perspective by analysing the dyadic relations between the “network coordinator” and the individual network members. In the current study, the researcher examines the dyadic relations between the focal organisation and individual network members. However, in addition, the current study examines how the focal organisation manages the inter-

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<sup>1</sup> Nevertheless, the researcher acknowledges the aforementioned Isett and Provan’s (2005) argument that IORs are usually formed one at a time, thus the primary focus on dyads is not wrong. Nevertheless, the inter-organisational network setting in which such IORs usually develop has significant implications for the IOMCs which are deployed (Håkansson and Lind, 2006).

connections between these (dyadic) IORs, i.e. how it coordinates and maintains the ION. Such an approach to the study of the focal organisation's IORs enables the researcher to examine the 'whole network' of the focal organisation. This network level perspective has been so far largely neglected by management accounting researchers (Caglio and Ditillo, 2008; Kilfoyle and Richardson, 2015). Because of this neglect our "knowledge about the *process of creating, maintaining or growing linkages within a network is still just emerging*" (Isett and Provan, 2005, p.149, emphasis added, see also Mahama and Chua, 2016). Moreover, "[o]nly by examining the whole network can we understand such issues as how networks evolve, how they are governed, and, ultimately how collective outcomes might be generated." (Provan et al., 2007, p. 480). More precisely, in order to provide a comprehensive understanding of the IOMCs it is necessary to examine the development of the whole network in which the IOMCs are deployed and the impact of the network structure on these IOMCs. However, only very few studies, namely Mouritsen and Thrane (2006), Marques et al. (2011) and Kilfoyle and Richardson (2015), stand out in terms of their focus on the ION-level controls. These studies are the most directly relevant to the current study and will be critically evaluated later in the Chapter. However, first IOMCs must be conceptualised.

### **2.3. Conceptualisation of Inter-organisational Management Controls**

Traditionally, "the boundary between the company and its environment has been viewed as the line dividing what can be influenced [by management controls] and what is considered to be given." (Kraus and Lind, 2007, p. 269). However, the increasing number of IORs has led to the development of management controls which span the boundaries of an organisation, namely IOMCs, and thus add complexity to traditional, i.e. intra-organisational, management controls (Dekker, 2004; Bardy, 2006; Kraus and Lind, 2007). In consequence, the conceptualisation of management controls has evolved over time (Chenhall, 2003) and has been shaped by the

philosophical assumptions of various researchers (for review see Hopper and Powell, 1985; Chua, 1986). Therefore, various scholars highlight the importance of the different roles played by management controls.

On the one hand, the scholars who examine management controls through the lens of functionalist theories highlight the role that management controls play in rational decision making (van der Meer-Kooistra and Vosselman, 2000; Chenhall, 2003). More specifically, management controls are argued to be deployed to ensure that resources are obtained and used efficiently and effectively by managers in order to achieve organisational goals (Anthony, 1952; Bardy, 2006; Kraus and Lind, 2007). Thus the 'efficiency role', is unquestioned in functionalist studies and the key function of accounting systems is to provide organisations with information which enables them to make economically rational decisions (Ryan et al., 2002). Moreover, management controls are deployed by organisations to control both intra-organisational and inter-organisational interdependencies. Intra-organisational interdependencies involve those between, for example, managers and employees, whereas the latter ones include IORs or relationships with other external institutions /stakeholders (Kraus and Lind, 2007).

Nonetheless, the functionalist approach has been criticised for not including the negotiated, historical, political and social characteristics of management controls in their studies (Otley et al., 1995; van der Meer-Kooistra and Vosselman, 2006; Langfield-Smith, 2008). Hopper et al. (2009) argued that a narrow understanding of management controls, which ignores the consequences of the aforementioned factors, imposes 'treacherous' boundaries on our understanding of management controls, particularly in developing countries. The use of management controls in the context of developing countries is shaped by the institutional

environment, which differs from the institutional environment of developed countries (Hoque and Hopper, 1994; Uddin and Hopper, 2001; Wickramasinghe and Hopper, 2005; Alawattage et al., 2007; Efferin and Hopper, 2007; Kattan et al., 2007). This is because “[m]ost problems lie in the interplay of MASs [management controls] and their cultural, economic and political context. Poverty brings distinctive uncertainties, e.g. exposure to the elements, undiversified economies, and a dominant (but not necessarily effective) state.” (Hopper et al., 2009, p. 473). Factors such as politics, social and industrial relations and economic perturbation have been observed to have a significant influence on management control operations in various developing countries<sup>1</sup> (Uddin and Hopper, 2001; Tsamenyi et al., 2004; Ni Putu et al., 2007; Hopper et al., 2009). Moreover it has been argued that management controls “bear directly on development issues like governance, planning, employment and quality of life but their enactment is problematic: local politics and cultures can transform them into tools of coercion or external legitimacy rather than rational control and democratic accountability.” (Hopper et al., 2009, p. 470). Therefore, in some organisations management controls are “marginal, ritualistic, and de-coupled from operations” (Uddin and Tsamenyi, 2005, p. 649, see also Uddin and Hopper, 2001). For example, Wickramasinghe and Hopper (2005) observed that in developing countries the impact of informal institutions on decision making is often more important than rational considerations and they “bypass formal accountability systems” (Uddin and Tsamenyi, 2005, p. 649). Following from this, it can be argued that functionalist theories, which imply a ‘rational choice’ approach are not relevant for the study of management controls in the context of developing countries<sup>2</sup>, and thus studies conducted in such a context require an approach that goes beyond a functionalist understanding of accounting practices (Hopper et al., 2009). Considering the importance of various informal institutions in accounting in developing

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<sup>1</sup> Including the country in which the current research has been conducted.

<sup>2</sup> This is another justification for using a non- functionalist theory to explain the IOMCs in the current study.

countries, institutional theoretical frameworks are particularly apt for studying management controls in these countries. Institutional analysis can explain the institutional environment and factors that shape socially constructed phenomena such as management controls. Moreover institutional approaches have been argued to be particularly apt for “explaining formal structures in institutionalized organisations such as entities in the public sector” (Johansson et al., 2016, p. 2), like the one examined in the current research. Drawing on the above, the researcher argues that the institutional logics approach is particularly relevant for examining the IOMCs deployed by a public organisation to manage, control and maintain its ION in a developing country.

On the other hand, researchers applying non-functionalist theoretical frameworks stress the importance of the political and social roles played by management controls (Chua, 1986; Covaleski and Dirsmith, 1986, 1988; Covaleski et al., 1996; Ryan et al., 2002). In these studies management controls are seen as “socially constructed phenomena with the full implications of the power and politics of social construction rather than as a technically rational function driven by and serving the internal operations of organizations”<sup>1</sup> (Covaleski et al., 1996, p. 15). Moreover, management controls are argued to exist in a broader social and political environment and therefore should be examined within their natural context<sup>2</sup> (Hopper and Powell, 1985; Chua, 1986). Cäker and Siverbo (2011) in their study of a public joint venture also claimed that in order to examine IOMCs “a holistic view of controls and their *relevant context* is required” (p. 331, *emphasis added*). Since non-functionalist approaches recognise

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<sup>1</sup> Following this understanding, management accounting is “implicated in the social construction of reality rather than [...] being passively reflective of the reality” as it has been presented in the functionalist studies (Covaleski et al., 1996, p. 15).

<sup>2</sup> For example, Uddin and Tsamenyi (2005) observed that “accounting in Ghanaian state enterprises operates in a complex political environment where ministers, bureaucrats and local political conflicts play a prominent role” (p. 649). Following from this, the researcher argues that the case organisation operates in a complex institutional environment and therefore it is important to examine impact of the institutional environment while studying IOMCs practices deployed by the case organisation.

that management controls are socially constructed, individuals are crucial for understanding management controls, especially how such controls are constructed, interpreted and enacted by an organisation. Moreover, management controls are argued to contribute to developing social relations between individuals, which in turn shape the management controls deployed by organisations. Therefore, the researcher contends that in order to comprehend inter-organisational management control processes, the study has to examine how they have been constructed historically and socially (see e.g. Chua, 1986).

In addition, the non-functionalist approaches do not assume that the role of (inter-organisational) management controls is to facilitate ‘rational decision making’ (Ryan et al., 2002). More precisely, management controls can perform various roles, such as being a legitimating tool which individuals use to justify their behaviours and/or as a political device which equips organisations and/or individuals with the means of power. Thereby management controls can support ‘non-rational decisions’ (see e.g. Hopper and Powell, 1985; Chua, 1986; Macintosh and Scapens, 1990). The case study evidence suggested that management controls are implicated in issues of politics, power and kinship thereby supporting the researcher’s decision to deploy a non-functionalist approach to analyse the data and to explain the findings of the current study. This approach will enable the researcher to elucidate the complexities of IOMCs, which would not be possible if a functionalist approach was adopted.

Furthermore, as resources are contributed by different organisations, such as partners in IORs, the management controls can become more and more complex (Bardy, 2006; Håkansson and Lind, 2006; Kraus and Lind, 2007). For example, IOMCs and other accounting tools must enable organisations engaged in IORs to deal with cooperation, coordination and appropriation issues (Dekker, 2004; Bardy, 2006; Caglio and Ditillo, 2008) and, at the same time, to cope

with the institutional complexity of its environment (Greenwood et al., 2011). Thus, for this thesis the researcher uses a broad definition of IOMCs, which enables us to understand IOMCs in their complex setting and does not assume the rational function of IOMCs. Moreover, Carlsson-Wall et al. (2011) have argued that a broader (than functionalist) conceptualisation of IOMCs is needed (see also Van der Meer-Kooistra and Scapens, 2008), especially for IORs that involve public organisations, such as the case organisation. This is because “actors engaged in performing operative and professional tasks in many of these [public] organisations are guided by norms and values that are developed outside organisational hierarchies, and within non-accounting profession.” (p. 314). Carlsson-Wall et al. (2011) recognise that IOMCs enacted by managers “coexist with important *social and personal pressures* [multiple institutional logics], which are simultaneously competing for influence” (p. 314, *emphasis added*). Thus, the current study adopts the definition of IOMCs developed by Marques et al. (2011), i.e., IOMCs are “*instruments or processes* deployed by an organisation with the purpose of *influencing another organisation’s* behaviour in order to achieve desirable or predetermined outcomes” (p.271, *emphasis added*). This definition implies neither the ‘rational decision making’ which is assumed in functionalist studies, nor a unity of IORs objective towards which all partners should be working.

To begin explaining different types of IOMCs, it is important to examine the various terminology which has been used in the management accounting literature to refer to IOMCs. For example, Carlsson-Wall et al. (2011) uses term Inter-organisational Controls, Marques et al. (2011) call them as Management Control Mechanisms, Tsamenyi and Cullen (2010) use terminology such as Management Accounting Systems or Management Control System in inter-organisational forms. Moreover, scholars not only use various terminologies to examine accounting in an inter-organisational setting, but also focus on various breadths of control and

different scopes of IORs, which makes it difficult to assess the contributions to specific inter-organisational processes. Scholars such as Caglio and Ditillo (2008) and Håkansson et al. (2010a) differentiate inter-organisational management accounting studies according to the breadth of controls (Caglio and Ditillo, 2008) and the scope of IORs (Håkansson et al., 2010a) which have been examined. As such Caglio and Ditillo (2008) group inter-organisational studies into those which focus on control archetypes which represent “definite mixes of different control mechanisms” (p. 886) (see e.g. van der Meer-Kooistra and Vosselman, 2000; Spekle, 2001; Håkansson and Lind, 2004), management control mechanisms which are “specified individually rather than included in ‘ideal’ archetypes” (ibid, p.86, see e.g. Tomkins, 2001; Baiman and Rajan, 2002; Dekker, 2004) and cost and accounting controls which are “control mechanisms based on cost and accounting information” (ibid, p. 866, see e.g. Mouritsen et al., 2001; Kajüter and Kulmala, 2005; Coad and Cullen, 2006). Whereas, Håkansson et al. (2010a) group studies into those that focus on: inter-organisational accounting, techniques in dyadic IORs (see e.g. Nicolini et al., 2000; Dekker, 2003), management control patterns in dyadic IORs (see e.g. van der Meer-Kooistra and Vosselman, 2000; Baiman and Rajan, 2002; Dekker, 2004) and accounting in networks, i.e. the impact of parties other than those involved in the dyadic IORs (Tomkins, 2001; Håkansson and Lind, 2004; Mouritsen and Thrane, 2006). Since this study takes a network perspective, the researcher will use the classification proposed by Håkansson et al. (2010a) later in the Chapter to critically evaluate the contributions to the IOMCs literature made by the studies which are the most relevant to the current research.

### 2.3.1. Classification of IOMCs

According to the above definitions IOMCs include various mechanisms, instruments and process that are deployed to enable an organisation engaged in IORs to influence their partners, in order to meet the organisation's objectives (Carlsson-Wall et al., 2011; Marques et al., 2011). All these mechanisms, instruments and processes can be classified as either formal controls (also labelled as bureaucratic controls and can be further divided into outcome (output) and behavioural controls) or informal controls (also labelled as social or clan controls (Ouchi, 1980)) (see e.g. Groot and Merchant, 2000; Dekker, 2004; Langfield-Smith, 2008; Ditillo and Caglio, 2009; Cäker and Siverbo, 2011), and can be enacted both ex-ante (before the IORs is formed) and ex-post (after the IORs has been formed) (Dekker, 2004; Ding et al., 2013; Johansson et al., 2016). Although the IOMCs can be divided into specific groups, in practice IOMCs enacted by organisations are combinations of the aforementioned groupings of IOMCs. Put another way, organisations deploy 'IOMC packages'<sup>1</sup>. Table 2.1 presents the constituents of an 'IOMC package' which could be deployed by an organisation engaged in IORs.

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<sup>1</sup> Following Marques et al. (2011), the researcher will use the term 'IOMCs package' to refer to a balanced set of IOMCs. Marques et al. (2011) argued that balance "is achieved by adapting the scope – i.e., higher or lower intensity of use –of each type of MCM [IOMC] in the MCM [IOMC's] package" (p. 271).

Table 2.1 Classification of IOMCs

	Outcome Control	Behavioural Control	Social Control
Ex-ante mechanisms	Goal Settings Incentive systems/reward structures	Structural specifications: <ul style="list-style-type: none"> <li>• Planning</li> <li>• Procedures</li> <li>• Rules and Regulations</li> </ul>	Partner Selection  Trust: <ul style="list-style-type: none"> <li>• Interaction</li> <li>• Reputation</li> <li>• Social Networks</li> </ul>
Ex-post mechanisms	Performance Monitoring and rewarding	Behaviour monitoring and rewarding	Trust building: <ul style="list-style-type: none"> <li>• Risk taking</li> <li>• Joint decision making and problem solving</li> <li>• Partner development</li> </ul>

(Dekker, 2004, p. 32)

Kraus and Lind (2007) argue that “outcome control is a central part of inter-organisational control practice.” (p.276). It is intended to influence the behaviour of actors by clarifying the desired results and monitoring, evaluating and rewarding their attainment (Emsley and Kidon, 2007). In this way, IOMCs can be enacted in the form of performance targets, i.e. goal setting, (Marques et al., 2011), which are often set in combination with rewards, i.e. incentive systems, (Cäker and Siverbo, 2011). Subsequently, the attainment of the set goals can be measured by deploying various performance measuring tools. Moreover, various performance monitoring techniques, which also constitute outcome control, are used to monitor and evaluate the outcomes of IORs’ actions and operations. It has been argued that accounting techniques are one of the key components of output IOMCs. The multiplicity of inter-organisational accounting techniques have encouraged various scholars to focus on examining different techniques, such as open book accounting (see e.g. Carr and Ng, 1995; Kajüter and Kulmala, 2005), value chain analysis (see e.g. Dekker, 2003), target-costing (see e.g. Mouritsen et al., 2001), inter-organisational cost management (see e.g. Cooper and Slagmulder, 2004).

Whereas, other studies, such as Dekker (2004), have identified a number of financial outcome controls, for example goal setting, inter-organisational cost reduction measurement and financial rewards, which are intended to assist in solving issues around appropriation concerns. Dekker (2004) focused mostly on financial output controls. However, van der Meer-Kooistra and Vosselman (2000) suggested that outcome controls do not have to be purely financial. They suggested that a mix of financial and non-financial measures can be deployed by an organisation to facilitate the coordination of interdependent tasks. However, financial and non-financial output controls are not the only form of control deployed by organisations. The other formal controls, which play an important part in the IOMCs package, are behavioural controls.

Behavioural controls, as is indicated by the name, control the behaviours of the actors engaged in an IOR and aim to reduce risk by settings boundaries for the behaviours of those actors (Emsley and Kidon, 2007). More precisely, behavioural control consists of “the specification and direct monitoring of expected behaviour” (Marques et al., 2011, p. 271, see also Langfield-Smith, 2008). In this way behavioural IOMCs “specify how the parties should act and then evaluate whether the specifications have been followed” (Kraus and Lind, 2007, p. 279). They are enacted through the processes which convert specific behaviours into expected results. Thus, compared to outcome controls, the emphasis is on the processes itself rather than on the final result, i.e. behavioural controls are “proactive rather than reactive” (Johansson et al., 2016, p. 3). Commonly behavioural controls take the form of policy documents containing various rules and operational procedures<sup>1</sup>, which specify how entities involved in IORs should behave, (Håkansson and Lind, 2006; Marques et al., 2011) and structures which set out the roles of

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<sup>1</sup> For example, staffing and training procedures are considered to be an important tool which allows organisations to standardise behaviours in their IORs (Das and Teng, 2001; Håkansson and Lind, 2006; Ditillo and Caglio, 2009). It has been argued that “[w]ith adequate staffing procedures, partners can select people whose actions are in line with expected behaviour. In addition, they can shape people’s behaviour by means of training procedures [...] (Ditillo and Caglio, 2009, p. 51).

various actors involved in IORs (Håkansson and Lind, 2006). The behavioural controls that specify the expected behaviour are usually agreed ex-ante during the negotiation process. However, “[i]f the partners do not achieve an agreement [compromise] on specific structures in the relationship, they may refer to their respective bargaining power.”<sup>1</sup> (Ditillo and Caglio, 2009, p. 51). Conversely, IORs parties can decide on appropriate behaviours through the formalised ex-post IOMCs. For example, in Dekker’s (2004) study ‘board monitoring’ was one of the key behavioural controls. The IOR’s board, including representatives from partner organisations, was formed to set out the rules and to establish routines ex-post.

Furthermore, the aforementioned policy documents and procedures, which indicate what acceptable behaviour is, can both be included in the contracts, i.e. contractual agreements (Cäker and Siverbo, 2011). In addition, provisions for using specific output controls can also be included in the contracts. The contracts can be considered a major constituent of behaviour controls and can be used in IORs in two ways, namely through complete or through incomplete contracts. However, it has been argued that complete contracts are not possible in IORs, due to the uncertainty factor (Gietzmann, 1996; van der Meer-Kooistra and Vosselman, 2006), i.e. new issues can arise in the course of IORs which cannot be foreseen at the beginning of the IORs. Furthermore, Gietzmann (1996) concluded that incomplete contracts and other formal controls work best when they are supplemented by informal controls and trust. Similarly, Cäker and Siverbo (2011) suggested that social controls are uncertain and should only be used where formal controls cannot be applied or where they may “fill the gaps” left in inter-organisational setting by formal controls. This has been confirmed by network researchers. Marques et al. (2011) observed that a network coordinator “sought to include formal MCMs [management

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<sup>1</sup> “Bargaining power refers to one parent’s [partner’s] power to design a control system advantageous to itself because of its influence over other” IOR’s partners (Cäker and Siverbo, 2011, p. 348)

control mechanisms] in contracts and other formal agreements whenever possible. Social MCMs were *complementary* to the formal MCMs.” (p. 289, emphasis added).

Informal controls, which can also be referred to as social or clan controls, imply more subtle ways of directing and monitoring behaviours of IOR partners, compared to formal controls (Johansson et al., 2016). They are particularly important when it is difficult to set expected outcomes, specify appropriate behaviour and measure the results (Kraus and Lind, 2007; Johansson et al., 2016). This form of control is grounded in shared culture, values, norms and beliefs, and relies on self-regulation (Ouchi, 1979; Kraus and Lind, 2007; Marques et al., 2011). Following Langfield-Smith (2008) and Marques et al. (2011), the current study adopts a broad, i.e. “*a lato sensu*”, view of informal IOMCs. As such, informal controls constitute partner selection, trust and “activities such as frequent interactions, meetings, negotiation of disputes, codes of conduct, senior management attitudes and styles” (Langfield-Smith, 2008, p. 349) and “informal interactions, joint decisions making, and social ties and events”<sup>1</sup> (Marques et al., 2011, p. 271). Moreover, there are no specific constraints “as to which action can be carried out or which actions are not allowed” to enact the informal controls (Ditillo and Caglio, 2009, p. 53).

Informal ex-post controls cannot be designed like formal ones (Langfield-Smith, 2008), but can be influenced through effective ex-ante IOMCs, such as the choice of the ‘right’ partner, or through negotiations (Kraus and Lind, 2007). In their review paper Kraus and Lind (2007) suggested that “the *selection of a partner* is important if a *successful relationship* is to be

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<sup>1</sup> This can be defined as socialisation practices, where socialisation is “a process of inducting actors into the norms and rules of a given community. [...] In adopting community rules, socialisation implies that *an agent switches from following a logic of consequences to a logic of appropriateness*; this adoption is sustained over time and is quite independent from a particular structure of materials incentive or sanctions” (Checkel, 2005, p. 804, emphasis added)

achieved” (p. 280, *emphasis added*). Other scholars (Dekker, 2004, 2008; Neumann, 2010; Ding et al., 2013) supported this argument through empirical research, specifically case studies in dyadic settings.

For example, Dekker (2004) identified factors, such as compatible cultures and prior relationships, as important when an organisation is looking for a suitable partner to form a successful IOR. Thus organisational culture has been argued to play a key role in the formation of IORs (Dekker, 2004; Ditillo and Caglio, 2009). In IORs the management of organisational culture poses, at the same time, both challenges and opportunities (Ditillo and Caglio, 2009). On the one hand, the key challenge is to blend, or in other words combine and harmonise, multiple (two or more) very often differing organisational cultures, especially in the case of public-private IORs. It has been argued that clashing organisational cultures might lead to the ‘break-up’ of IORs, especially in IORs where one partner has a central and/or a dominant role (Ditillo and Caglio, 2009). On the other hand, organisational culture is an opportunity as when goals of specific partners are incompatible and it is difficult to deploy formal controls, the solution can be to increase socialisation practices between managers (Ditillo and Caglio, 2009) which subsequently allow for increased integration that leads to familiarisation with each other’s organisational cultures (Das and Teng, 2001; Ditillo and Caglio, 2009). Social controls, such as cultural activities, i.e. development of common norms and beliefs, and joint (participatory) decision making, can be deployed to increase the integration of the partners. Dekker (2004) suggested that joint decisions can lead to the development of shared meanings and visions which contribute to forming common goals which can be monitored using formal controls.

Furthermore, Dekker (2008) suggested that the process of looking for an appropriate partner can be explained as “a learning process, not substituting but facilitating the design of more elaborate governance” (p. 22). This supports the conclusion coming from his previous study that extensive search for a relevant partner mitigates the design and application of more expensive formal controls. He further argued that partners’ experience, depending on the type of control issues to be managed, namely appropriations concerns or control problems, can either substitute or complement the formal IOMCs structures. This is also supported by Neumann (2010), who concluded that “The existence of a certain degree of ex-ante trust, particularly with regard to reputation benevolence and cultural/institutional similarities, seems to support formal governance mechanisms.” (p.234). Neumann (2010), in her study of a dyadic IOR between two European airlines, discussed the theory behind ex-ante governance decisions in IORs. She shed light on the relationship between the partner selection process and the formation of formal controls where there are differences in bargaining power between the IOR’s parties. Her results provide support for the Donada and Nogatchewsky (2006) assumption that in order to reduce future behavioural uncertainties, the weaker partner must put a lot of effort into the partner selection process as well as into the implementation of formal controls. Neumann also brought a new insight by observing that the more powerful party in a relationship can deliberately abandon the benefits arising from its ex-ante bargaining power. The stronger partner accepted the formal controls, which put it in the same position as the weaker partner, in order to accelerate the development of trust.

Drawing from the above it can be argued that there is a tendency in management accounting studies to examine partner selection as an ex-ante IOMC, but at the same time to neglect the negotiation processes which shape ex-post IOMCs (Kraus and Lind, 2007). The studies which deploy TCE explain how “partner selection mediates the effect of transaction characteristics

on contract complexity” (Ding et al., 2013, p. 140). However, they do not provide an explanation of the negotiation processes that led to the development of IOMCs, such as the contracts. Mahama and Chua (2016) lamented that “[t]he interaction, negotiations and transformations that precede and/or come after the signing of contracts are either ignored or taken as given” (p. 30). In order to understand negotiation processes a more dynamic approach to the study of IOMCs is required, compared to the static functionalist research. Moreover, the studies examining ex-ante practices argue that organisations nowadays place emphasis on trust-based and reputation-based selection criteria. Although, the researcher does not imply that this is not true, these studies neglect the impact of the wider institutional and inter-organisational settings on the IOMCs (Caglio and Ditillo, 2008; Cristofoli et al., 2010) such as the partner selection. For example, they do not consider how the partner fits within the broader network of an organisation’s IORs. The current study attempts to address this neglect.

Furthermore, as indicated above, recent studies highlight the relationship between trust and IOMCs (e.g. Neumann, 2010; Ding et al., 2013). What is more, an increasing number of studies, both functionalist and non- functionalist, have started to stress the importance not only of trust (see e.g. Coad and Cullen, 2006; Mouritsen and Thrane, 2006; Langfield-Smith, 2008; Velez et al., 2008; Vosselman and van der Meer-Kooistra, 2009; Tsamenyi et al., 2013) but also of power<sup>1</sup> (Donada and Nogatchewsky, 2006; hrane and Hald, 2006; Coad and Glyptis, 2014; Kraus and Strömsten, 2016) in IORs. According to van der Meer-Kooistra and

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<sup>1</sup> It has been argued that a mix of three types of power, namely resource power, process power and meaning power (see Hardy and Redivo, 1994), determines the potential of a powerful organisation to shape IORs and IOMCs in a way that gives it most advantage (Kraus and Strömsten, 2016). Resource power arises from the asymmetric interdependence between organisations (Donada and Nogatchewsky, 2006). This is because the resources that are exchanged between the parties in the IORs do not have the same value/importance to the partners. “Process power relates to formal structures such as decision making and agendas” (Kraus and Strömsten, 2016, p. 63); whereas meaning power is derived from “the dominant organisation’s use of rituals, symbols and language to shape the other organisations perceptions, cognitions and preferences. This is a more subtle form of power as it relates to social relationships and the nature and quality of interpersonal interactions among managers and employees in the two organisations in their daily work” (ibid).

Vosselman (2006), power and trust play a particularly significant role in IORs due to the fact that IORs are “not centrally orchestrated as in hierarchical relationships but the independent parties themselves have to develop the means to achieve actions in concert” (p. 228, see also Håkansson et al., 2010a).

Additionally, since IORs do not have a hierarchical authority to manage the negotiation, a more powerful organisation may have the opportunity to significantly influence the way in which an IOR unfolds and the IOMCs deployed in that IOR (Seal et al., 2004; Donada and Nogatchewsky, 2006; Cäker, 2008). Thus, ‘power’ can be central to IORs. Although, power is often mobilised in IORs (Håkansson et al., 2010a), the issues of power tend to be neglected by the inter-organisational scholars (Kraus and Strömsten, 2016).

The non-functionalist stream of research points out that the link between trust and control cannot be explained in terms of a simple linear relationship (as assumed in functionalist studies). It is argued that, due to issues of power, multiple (often conflicting) interests and shared understandings, the relationship between trust and control is more complex (Coad and Cullen, 2006; Free, 2008; Coad and Glyptis, 2014; Mahama and Chua, 2016; Minnaar et al., 2017). Thus, the current study does not assume an inverse relationship between trust and control, or any trusting relationships between the focal organisation and other network actors. Moreover, in line with Cristofoli et al. (2010), the researcher argues that (transactional) characteristics identified by functionalist research “only partially explain the adoption of certain configurations of control systems” (p. 350) (especially in the public sector). IOMCs packages deployed by an organisation are highly influenced by the (institutional) environment and the characteristics of the partners (Cristofoli et al., 2010); hence the need for in-situ research. Furthermore, “[a]ny discussion of the interaction between the institutional

environment and organisations needs to be located amidst relations of power” (Collier, 2001, p. 466). However, it has to be noted that, in some cases, the institutional environment has the “potential to mask issues of conflict, power and politics from organisational actors and from researchers” (Coad and Cullen, 2006, p. 365). Therefore, the current study highlights the importance of power in IORs processes and argues that IOMCs packages deployed by the focal organisation are shaped by multiple institutional logics and power relations. However, these power relations are implicated in the institutional environment, i.e. they are shaped by the institutional logics. Therefore, the current study provides an original approach to examine the power relations which influence IOMCs as the researcher focuses on factors (institutional logics) which shape power relations. In this way the researcher can examine whether power is implicated in the way in which IORs unfold and IOMCs are developed.

Although, the packages of IOMCs and their relationship with trust and power in IORs have been examined using both dyadic (see e.g. Langfield-Smith and Smith, 2003; Dekker, 2004; Emsley and Kidon, 2007; Neumann, 2010) and network (see e.g. Håkansson and Lind, 2004; Mouritsen and Thrane, 2006; Marques et al., 2011; Kilfoyle and Richardson, 2015) perspectives, the vast majority of the IOMCs research has taken the dyadic perspective and deployed functionalist theories, thereby leaving the IOMC issues pertinent to ION setting under-researched.

### 2.3.2. Network Coordination

Drawing on the discussion above it can be argued that dyads “are shaped by formal structural arrangements as well as various informal (unstructured) means of ensuring that there is cooperation between” the parties involved in a specific IOR (Marques et al., 2011, p. 270). Following from this, the researcher claims that the focal organisation deploys both formal

structural arrangements and informal means, i.e. IOMCs packages, in each of its IORs. However, in IONs the IOMCs are complicated by the fact that “consideration must be given to how control operates in the whole interconnected set of inter-organisational relationships” (Kraus and Lind, 2007, p. 287). The fact that the pairs of organisations are to some extent interconnected suggests interdependence and interactions between IORs embedded in the ION; in the current study in the network of the focal organisation. This requires additional coordination<sup>1</sup> by a network coordinator (Marques et al., 2011), such as the focal organisation, to manage dependencies between its multiple IORs (not only within IORs); i.e., the focal organisation has to coordinate its IORs (Tomkins, 2001; Håkansson and Lind, 2004). Coordination is central to the operations of an ION as, from the network perspective, actions of an organisation are “connected to and dependent on the action of another network organisation” (Marques et al., 2011, p. 270). Therefore, the IOMCs deployed by a focal organisation in a particular IOR are also shaped by the focal organisation’s need to coordinate its multiple IORs, i.e. to connect the discrete IORs. Put another way, IOMCs deployed by the focal organisation to manage and controls its IORs are impacted by the structure of the ION in which they are embedded.

Coordination of an ION has been argued to be a means of increasing organisational performance through, for example, more efficient use of resources, in both the private and public sectors (Child and Faulkner, 2005; Provan and Kenis, 2008; Marques et al., 2011). Coordination can be attained through the effective use of IOMCs. However, coordination is difficult for a focal organisation due to the lack of legal mandates that demand cooperation between the discrete IORs (Hardy and Phillips, 1998; Phillips et al., 2000; Marques et al., 2011;

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<sup>1</sup> For the purpose of this study coordination is defined as the focal organisation attempt to manage dependencies between various IORs and their activities (see e.g. Malone and Crowston, 1994; Nooteboom, 2004).

Johansson et al., 2016). In such a case “network coordination means influencing other network organisations to take actions that enhance the performance of the network” (Marques et al., 2011, p. 271, see also Phillips et al., 2000). Thus, in order to enact coordination, a network coordinator, e.g. the focal organisation in this case, has to deploy various IOMCs to manage and control the ION and the specific IORs embedded in this ION.

Despite the importance of coordination in IONs, little attention has been paid to coordinating activities (Johansson et al., 2016). Marques et al. (2011) argued the “very few [studies] have taken a network perspective and analysed the nature and use of the dyadic MCMs [IOMCs] in contexts characterised by multiple interaction between organisations” (p.270). Moreover, even less have examined the interactions at the ‘whole network’ level. The following section evaluates these studies.

#### **2.4. IOMCs in the Network Setting**

None of the empirical studies of IOMCs in IONs were published before 2004 (Håkansson and Lind, 2006). Therefore, IONs as an inter-organisational setting are considered to be a recent area of research interest (Håkansson and Lind, 2006; Kraus and Lind, 2007; Håkansson et al., 2010b; Lind and Thrane, 2010). Tomkins (2001), in his theoretical study, was the first to address issues of IOMCs pertinent to the ION setting. He provided some important insights relevant to the managers of IORs by deploying industrial network theory, which highlights the importance of the IOMCs in the “interaction processes between actors within a network of embedded relationships” (Kraus and Lind, 2007, p. 290). Contrary to functionalist approaches, the industrial network theory does not assume opportunistic behaviours of the actors, and therefore its primary focus is not on identifying suitable forms of IOMCs to be deployed within

particular IORs to help management to deal with, for example, appropriation concerns, but rather it assigns IOMCs a more dynamic role (Håkansson et al., 2010c).

Although Tomkins (2001) suggested that each organisation is to some extent restricted due to its embeddedness in an ION, he still insisted that managers play a central role “in manoeuvring their company vis-à-vis the other companies in the network” (Kraus and Lind, 2007, p. 287). Moreover, he stressed the importance of negotiations by claiming that through bilateral negotiations managers have the ability to alter some of the IORs, in which their company is involved, and in that way to shape the entire ION. Following Tomkins (2001), the current study stresses the importance of negotiations as an important ex-ante IOMC that the focal organisation can use to develop and shape its ION. In addition, the research will examine the various forces that influence negotiations and how they contribute to the development of the ex-post IOMCs, as this issue has been so far neglected in the IOMCs literature.

Following Tomkins (2001), Håkansson and Lind (2004) empirically examined an ION using the same theoretical lens. More precisely, Håkansson and Lind (2004) in their study of a telecom network analysed the role of IOMCs in the operations of embedded IORs. They studied the IOR between the Swedish cellular telecommunication company - Ericsson and the Swedish telecommunication operator - Telia, which was embedded in the IONs of the organisations forming this IOR (Telia and Ericsson). The relationship between these two organisations was treated as a focal relationship. Håkansson and Lind (2004) showed the embeddedness of Ericsson in a complex ION of vertical and horizontal relationships with suppliers, such as Hewlett Packard and Flextronics, various customers, e.g. Mannesman, Vodafone, Orange and Telia and competitors like Sony, Nokia or Microsoft. Telia was also shown to be embedded in a complex network of IORs with its competitors, customers and suppliers. In this way,

Håkansson and Lind (2004) stressed the importance of taking a network perspective when examining dyadic IORs. They highlighted how important it is to include inter-connected relationships in the analysis of the IOMCs deployed in particular IORs. For example, they showed how the examined IOR had to be adapted to Telia's relationship with Nokia (e.g. developing the same software features) and how important it was for Telia to coordinate both relationships (the focal one with Ericsson and the one with Nokia).

Although the studies of Tomkins (2001) and Håkansson and Lind (2004) provided important insights into the study of IOMCs in the ION setting, Mikes (2012) argues that challenges resulting from the industrial network theory are exciting, but daunting at the same time. This is because “[a]t a prescriptive level, accounting needs to be designed to capture both the direct effect of a company’s decisions on the other company in the inter-organisational relationship and the indirect effects on third and fourth parties.” (Mikes, 2012, p. 348). Hence, the concern lies in drawing the ION’s boundaries, i.e. it is very difficult to draw the boundaries of an analysed ION. An alternative to the industrial network theory, which allows for the drawing of the boundaries of the examined network, is the “whole network” approach (Provan et al., 2007). The ‘whole network’ approach is particularly useful for studying IOMCs (Caglio and Ditillo, 2008; Kilfoyle and Richardson, 2015) as it enables the researcher to examine how IONs are formed, how they evolve and the impact of these processes on the IOMCs deployed in the ION (Provan et al., 2007). Despite the relevance of the ‘whole network’ approach for the study of IOMCs, only three studies of IOMCs stand out in terms of their focus on the whole network, namely Kilfoyle and Richardson (2015), Marques et al. (2011) and Mouritsen and Thrane (2006).

Mouritsen and Thrane (2006) examined three horizontal networks<sup>1</sup>. Their perception of an ION differs compared to other network researchers (e.g. Håkansson and Lind, 2004; Marques et al., 2011). This is due to the theoretical approach that they adopted, namely ANT, which treats IOMCs as ‘actors’ in their own right (Kraus and Lind, 2007; Mouritsen et al., 2010). This means that IOMCs are not a set of techniques but an active actor in the network which influences other (heterogeneous) actors embedded in the network. Mouritsen and Thrane (2006) argued that:

[...] the network is rarely simply a network - *it is a network enterprise - and therefore it has a topology of centre and peripheries*. Some participants will intervene more than others, calling on intermediaries and inscriptions to do so. They need management techniques such as accounting systems and transfer prices, and systems of taxes and duties to hold the network together. It gradually gets its own objectives and starts to act on the partners (p. 263, *emphasis added*).

The network enterprise, which “is to a large extent the management control technologies” (Mouritsen and Thrane, 2006, p. 272), is responsible for managing the collective goal of the network. However, Mouritsen and Thrane (2006) observed that there was a tension within the ION because, in addition to the collective goal of the network, the individual actors also had their own agendas, not always aligned with the network goal. They suggested two different types of IOMCs, namely self-regulating mechanisms and orchestrating mechanisms, which aim to maintain and develop the ION by handling multiple IORs. Self-regulating mechanisms include, for example, transfer prices and a system of fees which distributes the profits earned by each IOR according to the rules which were agreed ex-ante (Kraus and Lind, 2007). In this way, self-regulating mechanisms are supposed to facilitate the exploitation of the actors’ complementarities within the ION. Whereas orchestrating mechanisms, which include, for example, the network strategy, as well as fairs, meetings and events which are supposed to improve the performance of the ION by establishing collective network goals and introducing

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<sup>1</sup>A horizontal network is a network “in which companies target the same customer” (Kraus and Lind, 2007, p. 288), i.e. they are potential competitors.

changes and improvements. Following from this it can be argued that “self-regulating mechanisms allow interaction and exchange to occur unobtrusively, while orchestration mechanisms involve structuring these interactions” (Mouritsen and Thrane, 2006, p. 241).

Although Mouritsen and Thrane (2006) expanded our understanding of the operations of IONs and the IOMCs deployed at the ION-level, the theoretical lens they deployed had some limitations. IONs occur “at the intersection of multiple institutional fields that shape the collective construction of problems and solutions at the network level” (Kilfoyle and Richardson, 2015, p. 558). However, ANT lacks the capacity to explain the institutional embeddedness of IONs and the conflicts which are a consequence of the multiple institutional logics that influence the behaviours of the actors engaged in the ION (Mineev, 2012; Kilfoyle and Richardson, 2015). Moreover, Mouritsen and Thrane do not elucidate how the ‘network enterprise’ holds the network together and ensures collaboration between the various members who are embedded in their local institutional environment. Furthermore, as the authors generalise across three networks, the conclusions are lacking in-situ context; i.e. the variations between case studies are ignored due to the generalisation across the three contexts.

Contrary to Mouritsen and Thrane (2006), who took a solely ‘whole network’ approach<sup>1</sup>, Marques et al. (2011) analyse the dyadic relations between the ‘network coordinator’<sup>2</sup> and other ION’s actors. Nevertheless, they are still able to maintain the ‘whole network’ perspective in their study<sup>3</sup> (Kilfoyle and Richardson, 2015) and they agree with Mouritsen and Thrane’s (2006) conceptualisation of an ION as a “network enterprise [... which] has a topology of centre and peripheries” (p. 263). However, compared to Mouritsen and Thrane (2006) they stress the importance of the diversity of the network actors. More specifically, Marques et al.’s (2011)

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<sup>1</sup> They studied the network of interconnected IORs and the control systems that facilitate interaction at the ION-level without studying the dyadic relations between the specific actors involved in the ION.

<sup>2</sup> In the current study ‘the network coordinator’ is the focal organisation, namely PenFund.

<sup>3</sup> This is because the concept of ‘network control’ captures the reciprocal monitoring of the network actors.

main focus is on how a public organisation, i.e. the network coordinator, deployed IOMCs packages to ensure cooperation, at the ION-level, between the various diverse network actors. These actors are private organisations, thus the ION examined by Marques et al. (2011) can be classified as a mixed-type network – as it is formed of both private and public sector organisations. The authors developed a coordination framework which identifies the IOMCs packages relied upon by a network coordinator to ensure cooperation between network actors and achieve ION-level performance. According to the framework, the network coordinator decides on the IOMC package needed to elicit cooperation from each specific partner after assessing the partner’s motivation to cooperate and contributions to the ION. For example, when either the partner’s motivation to cooperate is high but the contribution to the network is low, or both (the motivation and the contribution) are low, ‘network controls’ are used. Network controls comprise the reciprocal monitoring of various network actors without the inference of the network coordinator. These network level controls have been compared to the self-regulating mechanisms described by Mouritsen and Thrane (2006). Nevertheless, because Marques et al.’s (2011) primary focus was on the control of dyadic IORs by the network coordinator, the network controls have not been explored. Furthermore, similar to Mouritsen and Thrane (2006), Marques et al.’s (2011) framework ignores the institutional embeddedness of the various organisational actors.

Like Mouritsen and Thrane (2006), Kilfoyle and Richardson (2015) take a solely ‘whole network’ perspective and they come to similar conclusions that (mature) IONs “consist of a topology of a centre and peripheries” (Kilfoyle and Richardson, 2015, p. 571). Drawing on the theoretical typology of ‘ideal types’ of ION governance developed by Provan (1983) and Provan and Kenis (2008), Kilfoyle and Richardson (2015) expand our understanding of the IOMCs deployed at the network level by examining the use of IOMCs to manage paradoxes,

such as being cost efficient while providing a universal service across the network regardless of cost<sup>1</sup>. Referring to the theoretical typology, Kilfoyle and Richardson (2015) identified a multi-level governance structure and explained the IOMCs that are relied upon at each governance level. Moreover, they introduced a distinction between the “network constitutional organisation” and the “network administrative organisation”. The network constitutional organisation is responsible for “the socialisation of network and strategy level orchestration of the overall network”. Whereas, the network administrative organisation “mobilises management accounting and control mechanisms to monitor, encourage and facilitate member collaboration” (Kilfoyle and Richardson, 2015, p. 551). As such, it can be argued that it uses orchestrating and self-regulating mechanisms (Mouritsen and Thrane, 2006).

Finally, Kilfoyle and Richardson (2015) deploy institutional analysis and suggest that in inter-organisational collaborations<sup>2</sup>, control is performed by ‘collective institutional entrepreneurship’ which is “the process of overcoming collective inaction and achieving sustained collaboration among numerous dispersed actors to create new institutions or transform existing ones.” (Wijen and Ansari, 2007, p. 1079) and involves ‘collaborative leadership’ which is “enacted not just by guiding actors but also through other media such as structures and processes embedded within a collaboration” (ibid). Following from this, Kilfoyle and Richardson (2015) proposed that in the examined ION, which according to the theoretical framework is a ‘participatory federation’ type of network, control “is enacted through collective entrepreneurship by governance bodies using management accounting and

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<sup>1</sup> In the current study the researcher examines the ‘paradoxes’ in the studied network, arising from the multiple conflicting logics inherent in the ION of the focal organisation, such as providing high returns on investment while being socially responsible. More specifically, the researcher investigates how organisational actors react to and address these paradoxes. The researcher takes this approach because some scholars (e.g. Lewis, 2000; Smith and Lewis, 2011) have suggested that an examination of the ways in which managers respond to multiple competing pressures on organisations can expand our understanding of organisational responses to the conflicting pressures faced by organisations operating under institutional complexity.

<sup>2</sup> They conceptualise collaboration as “a paradox of individualistic units, with *multiple institutional logics*, working towards a collective goal” (Kilfoyle and Richardson, 2015, p. 558, *emphasis added*)

control [IOMCs] as institutional carriers”<sup>1</sup> (Kilfoyle and Richardson, 2015, p. 551) which transmit institutional elements from network level institutions to the local context, i.e. member organisations.

Despite expanding our knowledge on the IOMCs deployed in the IONs, Kilfoyle and Richardson’s (2015) study, like their predecessors, focussed on the current state (the structure and processes) of a mature ION, thereby neglecting the dynamics inherent in the formation of the various IOMCs. An examination of the construction of the ION and the IOMCs would have provided insights and a better understanding of how they emerge and the role that they can play in IONs (Kilfoyle and Richardson, 2015). Thus, it is appropriate to examine emerging networks (Mineev, 2012), as this should produce an explanation of the institutional logics which shape the development of IONs and IOMCs.

Furthermore, the afore-reviewed studies ignore the interactions between institutions and the intra/inter-organisational dynamics which lead to practice variations within IONs, i.e. different treatments of the network members. More specifically, they disregard the impact of the multiple, and often contradictory, institutional pressures that lead to the diversity of organisational practices as a response to these pressures. The reviewed network studies focus on the ‘answer’, i.e. they discuss the different mechanisms relied upon by ‘network coordinators’, but they do not explain the antecedents (institutional logics) of these practice variations, thereby providing only limited understandings of ION’s operations and IOMCs practices. What is more, these studies have not examined the actions of purposeful actors (individuals) which lead to heterogeneity in the IOMCs used.

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<sup>1</sup> Institutional carriers help institutional elements to “move from place to place and time to time” (Scott, 2003a, p. 879). In the current study, the researcher follows Zilber (2002) who argues that “actors are carriers of institutional meanings, that their interpretations can be considered as expressions of agency, and that the politics of institutionalisation involves not only actions, but meanings as well.” (p. 235).

The current study takes a twofold approach to study the IOMCs deployed by the focal organisation to control its multiple IORs and to coordinate its entire ION of IORs. First of all, in a similar way to Marques et al. (2011), the researcher takes the ‘whole network’ perspective to examine the coordination of the ION. Then, in order to provide a detailed explanation of the IOMCs deployed to manage and control individual IORs the researcher follows Håkansson and Lind (2004) and selects one IOR from the focal organisation’s ION and examines how the IOMCs deployed in this IORs are shaped by the focal organisation and other partners. However, the researcher will expand the approach adopted by the ION researchers by examining the impact of the institutional environment, i.e. multiple institutional logics, on the deployed IOMCs at the ION-level as well as IOR-level. As such, the research will be able to explain the institutional logics that are drawn upon by organisational actors responsible for the deployment of the specific IOMCs.

Additionally, the current study will expand on the studies reviewed above by examining the ION and IOMCs formation processes and the institutional logics that shape those processes<sup>1</sup> in an emerging network. In order to do so the researcher deploys an historical analysis to examine the formation/evolution of the ION and how the IOMCs deployed by the focal company have been developed<sup>2</sup>.

Drawing on the above, the researcher combines the approaches presented in the above studies by deploying inter-organisational management control concepts (Mouritsen and Thrane, 2006;

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<sup>1</sup> Mineev (2012) explains network formation processes and the IOMCs deployed in this network in terms of the interplay between multiple institutional logics. However, as the theoretical lens deployed by Mineev (2012) will be drawn upon in this thesis, his study is critically reviewed in the next Chapter.

<sup>2</sup> Richardson and Kilfoyle (2016) argue that “to truly appreciate the evolution of management accounting rule systems, it may be necessary to observe the relationship between management accounting systems and their environment over a period of decades rather than months or years” (p. 32). Therefore, the utilisation of an historical analysis will facilitate the exploration of the ION formation and the IOMCs development.

Marques et al., 2011) together with institutional analysis (Kilfoyle and Richardson, 2015, see also Mineev, 2012). More precisely, the researcher will identify the institutional logics, which are enacted by the purposeful organisational actors in the focal organisation, and explain how the actors' responses to the conflicting institutional pressures imposed on the focal organisation by various external actors (e.g. government and community) shape inter-organisational processes and practices, i.e. the formation of the IORs and ION and the development and use of IOMCs in these inter-organisational collaborations. Such an approach aims to show how IORs and ION as well as IOMCs deployed within them are shaped by the behaviours and actions of individuals working both inside and outside the focal organisation. In this way, the current study will enrich our understanding of inter-organisational practices by deploying a processual analysis (Ahrens and Chapman, 2006) to study the formation of IORs and an ION and the development of IOMCs, and by exploring how the responses of purposeful organisational actors to conflicting institutional pressures shape the inter-organisational practices of the focal organisation.

Furthermore, the current study also responds to Marques et al.'s, (2011) lament that very few studies have focused on the use IOMCs in mixed-type IONs. The following section discusses inter-organisational processes in the public sector context.

## **2.5. Public-private Inter-organisational Relations and Inter-organisational Networks**

It has been argued that inter-organisational collaborations involving public organisations tend to differ significantly from those formed between private organisations (Barretta and Busco, 2011). Additionally, the public-private IORs and IONs are argued to be more complex and difficult to form and to maintain (Broadbent and Laughlin, 2003; Jay, 2013). Inter-

organisational processes and practices of public organisations seem to be particularly complicated due to the pressures exerted on such organisations by their various institutional stakeholders (Shaoul et al., 2012), such as the government, local community and management. However, the literature review revealed that there are no studies explaining how public organisations, which face such institutional complexity, form their IORs and design their IOMCs, more specifically how multiple logics shape the formation of IORs and IOMCs.

Further, Bardy (2006) suggested that “there are some important differences between public and private operating environments that may affect the way organisations within these sectors create, organize, and maintain relationships” (p. 151)<sup>1</sup>. The environment of public organisations can be very dynamic and exposed to various forms of turbulence, which can be created by, for instance, election cycles, i.e. changing governments, (Bozeman, 1987; Bardy, 2006), that can affect their IORs and broader IONs. Such changes can create the need for the development and maintenance of stable IORs with effective IOMCs, “that are likely to go beyond what one might witness in most [private] business settings” (Bardy, 2006, p. 155). Nevertheless, the preponderance of literature on both dyadic IORs and IONs has been conducted in inter-organisational collaborations formed between private organisations<sup>2</sup> (Provan et al., 2007; Barretta and Busco, 2011; Cäker and Siverbo, 2011).

Nevertheless, “the factors identified in the private sector literature do not seem to explain comprehensively the configuration of control systems” used by public organisations (Cristofoli et al., 2010, p. 350). More specifically, different institutional logics shape the behaviour of

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<sup>1</sup> For additional examples of the distinction between public and private sector see Appendix 2.1.

<sup>2</sup> For the purpose of this research a public organisation is defined as an organisation owned and controlled by the public sector (Broadbent and Laughlin, 2003), for example the case organisation. Following this understanding, a private organisation is defined as an organisation owned and controlled by the private sector, thus publicly traded organisations are also called private organisations. This division between public and private organisations is linked with attributes of organisations (see e.g. Greenwood et al., 2011) which are further discussed in the next Chapter.

public and private organisations (Meyer et al., 2014). It has been suggested that public organisations, such as public pension funds (hereafter PPFs), which are heavily dependent on public funding tend to be shaped to a great extent by the regulations and requirements of their funders (Bardy, 2006). Moreover, it has been argued that organisations which exhibit “a high degree of ‘publicness’” (Bardy, 2006, p. 155), such as social service organisations, including PPFs, (Bozeman, 1987; Perry and Rainey, 1988; Bozeman and Bretschneider, 1994) tend to be influenced to a greater extent by coercive institutional pressures (DiMaggio and Powell, 1983) compared to private organisations. However, it has been simultaneously suggested that various decisions of public organisations, such as PPFs, including decisions regarding inter-organisational processes, are often a result of the self-interest of organisational actors (Sethi, 2005; Wang and Mao, 2015) and their political agendas (Woidtke, 2002). Such contradictory findings provide an opportunity for further in-situ, i.e. country, sector and organisation specific research, to study the influence of various institutional pressures/logics on the IOMCs deployed by public organisations. Put another way, the impact of these factors cannot be generalised, but should be explained in the specific context. The need to conduct in-situ research has also been supported by Isett and Provan (2005) who concluded that “[a]lthough, it is likely that some, and even many, findings in the private sector literature are transferable to the public sector, we do not know what aspects of existing theory apply to networks generally and which aspects are sector specific.” (p.150).

Additionally, the nature of public sector reforms triggering the development of public-private IORs “across the world has been less than uniform or unitary” (Broadbent and Laughlin, 2003, p. 333, see also Appuhami et al., 2011). For example, scholars such as Baker (2003), English and Guthrie (2003) and Newberry and Pallot (2003) in their country-based studies highlight the international differences between US, New Zealand and Australia respectively. Moreover,

the implementation of the NPM agenda in developing countries differs significantly from the approach adopted by developed countries (Polidano, 1999; Ohemeng, 2005; Uddin and Tsamenyi, 2005). The NPM policies have been introduced in the developed countries mainly to accelerate the development of public services (Hodge, 2004), whereas developing countries have introduced NPM policies not only to accelerate the process of “coming out from the state administration” (Child and Faulkner, 2005, p. 259) but also to alleviate poverty (Bhatia and Gupta, 2006; Appuhami et al., 2011). Subsequently, it has been argued that the multiple initiatives that have been introduced in developing countries are to some extent unrelated to the basic NPM agenda (Polidano, 1999), such as “increased efficiency, quality and competition of public sector services” (Appuhami et al., 2011, p. 431). It has been suggested that the concept of public-private cooperation gain “a new resonance in the context of developing countries” (Jamali, 2004, p. 414). Additionally, in some developing countries, in particular in Sub-Saharan African countries (Miller, 2014), public sector reforms contributing to the proliferation of mixed-type IORs have included social security reforms which have led to numerous changes in the operations of PPFs because the governments of many Sub-Saharan African countries have liberalised investment regulations. However, due to the recent character of these reforms in developing countries research on the investments of PPFs operating in such countries is very limited.

## **2.6. The Gaps in the Literature and the Opportunities for Further Research**

Drawing on the review of the literature provided in this Chapter the researcher has identified gaps in the management accounting literature, which provide the motivations for the current study. These gaps were subsequently synthesised into themes that warrant further research in inter-organisational settings.

The first motivation has been derived from the gap in the literature caused by the domination of functionalist theoretical frameworks, and in particular TCE, in management accounting research in inter-organisational settings (Håkansson and Lind, 2006; Caglio and Ditillo, 2008; Meira et al., 2010). Functionalist research is argued to lack the capacity to explain the IOMCs deployed to manage IORs in settings more complex than dyads; as such the issues pertinent to ION setting are argued to be under-researched. The impact of the ION structure and processes (inter-organisational environment) in which these IORs are embedded has been largely ignored, and thus our understanding of how IOMCs are used to tackle multiple IORs is limited. Functionalist scholars tend to report the contingent variables that drive the use of specific controls or the contingencies for using such controls, while ignoring not only the inter-organisational environment, but also the institutional environmental factors which can shape the IORs formation processes and the type of IOMCs applied. They assume that inter-organisational collaborations emerge as a result of rational choices and IOMCs are applied to avoid opportunistic/agentive behaviour of the partners, thereby minimising appropriation concerns. As such, functionalist approaches provide only a static account of IORs and general-level recommendations about IOMCs, while ignoring the inter-organisational and institutional environment, for example the specific industry context, the context of a particular organisation or the ION, within which individual IORs operate; thereby providing only a limited understanding of inter-organisational practices. Because of these limitations of functionalist

studies, a growing body of accounting scholars has called for in-situ research on management controls in inter-organisational settings using alternative frameworks which are capable of examining the dynamics of the inter-organisational processes through which specific IORs are formed and IOMCs are developed. More precisely, there is a need for a study which examines the formation of an ION and the IOMCs deployed at the ION-level as well as the formation of a specific IORs embedded in this ION and the IOMCs deployed within them, in the in-situ context. Such a study would enable us to explore the impact of the wider ION and the institutional environment of, e.g. particular country, on its IOMCs<sup>1</sup>.

The next motivation resulted from the limitations of the scant number of studies deploying alternative frameworks in conjunction with the ‘whole network perspective’ to study IOMCs. Although these studies overcome some of the limitations of the functionalist studies, they tend to focus on mature networks, thereby leaving questions regarding the formation of IONs and their IOMCs unanswered. More precisely, these studies ignore the antecedents of the IOMCs and the dynamics of their development and, as such, provide an incomplete picture of IOMC processes in IONs. Moreover, they tend to ignore the impact of the wider institutional environment on the ION’s operations, and how, the institutional context shapes the process of the network formation and the development of IOMCs. Further, there is a lack of research exploring how institutional logics enacted by the purposeful actors shape inter-organisational processes. Therefore, more studies are needed to enable us to understand how the behaviours of such actors shape the formation of an ION and the development of its IOMCs<sup>2</sup>.

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<sup>1</sup> The current study addresses these calls by exploring the formation of the ION of the focal organisation and the development of the IOMCs deployed within this ION, in a local context which constitutes institutionalised sector/industry practices and rules. Further, the study examines the institutional logics shaping IOMCs at the ION- and IOR-levels. More specifically, the researcher examines the IOMCs deployed by the focal organisation to coordinate multiple IORs and the IOMCs deployed in one of its IORs formed between the focal organisation and private partners.

<sup>2</sup> The current study intends to expand our understanding by examining how organisational actors respond to conflicting institutional pressures. In this way the current study goes beyond commercial/rational considerations in explaining the formation of IORs, in an emerging ION and the development of their IOMCs.

The third motivation is related to the lack of attention, in the management accounting literature, to specific issues concerning IOMCs, namely the negotiation processes as IOMCs and the issues of power inherent in these negotiation processes. Furthermore, the issues of power are implicated in the institutional logics enacted by various actors engaged in the negotiation processes. How they shape the IOMCs which are subsequently deployed is something which has so far been neglected in the literature (Kraus and Lind, 2007; Mahama and Chua, 2016). Moreover the role of third parties, especially non-managerial interest groups, e.g. institutional actors, in IORs and more specifically in negotiation processes have not yet been explored.<sup>1</sup>

Drawing on the above, the first theme worth researching comprises the three motivations which have arisen from the limitations of the extant inter-organisational management accounting literature. Thus, the first theme is to explore the contingencies which shape the formation of IORs and IONs and the development of IOMCs by deploying a non-functionalist, processual theoretical approach in conjunction with the ‘whole network’ perspective.

The penultimate motivation and the second research theme is related to the sector context and fact that the majority of the research concerning IORs, IONs and their IOMCs have been conducted in the private sector (Isett and Provan, 2005; Barretta and Busco, 2011). Despite the importance of public-private inter-organisational collaborations for local communities, there is a dearth of literature focusing on the IOMCs deployed by public organisations. Additionally, the results of studies conducted in the private sector are not always applicable to public organisations, and as a result the factors shaping IOMCs identified in private sector organisations cannot always explain those deployed by the public organisations (Cristofoli et

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<sup>1</sup> The current study attempts to shed light on these specific under-researched areas by examining issues inherent in negotiation processes and the logics shaping these issues.

al., 2010). Furthermore, research conducted in public organisations has observed that decisions are, to a large extent, shaped by institutional pressures, while studies conducted in the PPFs in developed countries have observed that decisions are often influenced by the self-interest and political agendas of organisational actors. Such findings warrant further in-situ research. Further, mixed-type IORs and IONs are argued to be particularly difficult to form and manage due to the institutional complexity that they face (Broadbent and Laughlin, 2003; Jay, 2013). Hence, the need for empirical research into how IOMCs are impacted by multiple institutional logics. Thus, the second theme is to investigate how public sector organisations, such as PPFs, which face institutional complexity, form mixed-type IONs and coordinate their IORs by deploying various IOMCs.

Finally, the last motivation, which forms the third theme, stems from its developing countries context. Public sector reforms, which have led to the increasing number of mixed-type IORs, have been experienced in a significant number of countries (Cristofoli et al., 2010; Barretta and Busco, 2011; Johansson et al., 2016), especially developing countries which are gradually coming out from the constraints of state administration (Polidano, 1999; Child and Faulkner, 2005; Ohemeng, 2005; Uddin and Tsamenyi, 2005; Babatunde et al., 2015). However, management accounting research tends to focus on developed countries (Alawattage et al., 2007; Hopper et al., 2009). Nonetheless, institutional logics, which can have a significant impact on organisational forms and management control practices in developing countries differ from those of developed countries (Chung and Luo, 2008; Narooz and Child, 2016). Therefore, the results of management accounting research in developed countries may not be generalisable to developing countries. Hence, there is a need, not only for sector and organisation specific research, but also for country specific research. Thus, the third and the

last theme of the current study is to examine the institutional logics which shape the inter-organisational processes of PPFs in the context of developing countries.

In summary, the current study will contribute to the literature by examining, in-situ, the formation of an emerging ION and the development of its IOMCs, instead of focusing on a mature ION and its current structure and practices. In particular, the current study expands our understanding of the impact of institutions on intra-organisational dynamics by examining how institutional logics are enacted by purposeful organisational actors and how they shape inter-organisational processes.

## **2.7. Summary**

This Chapter has provided a review of the literature relevant to the issues examined in the current study. The Chapter started by discussing the conceptualisation of inter-organisational settings and the different types of such settings, namely the dyadic and the ION setting. That section also discussed various theoretical frameworks that have been deployed to examine the aforementioned settings. For simplicity, the frameworks were grouped into functionalist and non-functionalist (alternative) frameworks, and it was concluded that functionalist frameworks are more apt for studying dyadic settings, whereas alternative frameworks allow for examining more complex settings, particularly IONs.

Then, in the next section management controls were conceptualised and the influences of functionalist and non-functionalist theories for our understanding of management controls were discussed. It has been noted that functionalist theories perceive management controls as part of a rational management decisions making process. Whereas, alternative frameworks allow for a broader conceptualisation of management controls which acknowledges their socio-political

character. It was suggested that this conceptualisation is particularly important for research conducted in the context of developing countries, where cultural, political and social factors play significant roles in decision making of organisations. Subsequently, different types of management controls in the inter-organisational context were introduced, namely ex-ante, ex-post, formal and informal<sup>1</sup>. Additionally, the concept of network coordination, and especially the lack of attention to network coordination processes in the management accounting literature, was also explained in this section. This necessitated a review of the limited number of studies which deploy the concept of network coordination. As such, the following section provided a critical review of studies which are particularly relevant to the current thesis, namely studies that adopt the ‘whole network perspective’ to examine IOMCs. This critical review revealed their limitations and, in particular, the fact that these studies focus on mature IONs in their current state, thereby neglecting the formation processes of IONs and IOMCs. Additionally, it was revealed that the institutional environment of these IONs tends to be disregarded by ION researchers. Furthermore, it has been highlighted that mixed-type networks have been given little attention in the management accounting literature. Subsequently, the penultimate section of this Chapter discussed inter-organisational developments in the public sector and argued that there are contradictory results that need resolving. Finally, the last section, drawing on the conducted literature review, outlined the gaps in the literature which provide the motivations for the current study. Subsequently these gaps were grouped into themes that warrant further research.

Having reviewed the literature relevant to the current study, the next Chapter presents the proposed analytical framework.

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<sup>1</sup> The researcher will be using the aforementioned classification of IOMCs (ex-ante/ex-post and formal/informal) and the conceptualisation of ION coordination to make sense of the IOMCs deployed by the focal to manage, control and coordinate its IORs.

## CHAPTER THREE: ANALYTICAL FRAMEWORK

### 3.1. Introduction

In the previous Chapter, inter-organisational literature relevant to the current thesis was reviewed and existing gaps were identified. It was argued that empirical research has become a key direction in the study of IORs, IONs and the IOMCs deployed within them (see e.g. Håkansson and Lind, 2004; Mouritsen and Thrane, 2006; Dekker, 2008; Dekker and Van den Abbeele, 2010; Cäker and Siverbo, 2011; Marques et al., 2011; Dekker et al., 2013). Although this body of literature has been very fruitful, it has tended to disregard wider institutional dynamics in the inter-organisational context (see e.g. Coad and Cullen, 2006)<sup>1</sup>. The preponderance of studies conducted in inter-organisational settings assume that organisations and IORs “operate as relatively autonomous and cohesive units that are unimpeded by wider institutional norms” (Marchington and Vincent, 2004, p. 1029). As such, the significance of the interplay between multiple forces at various levels, namely institutional, organisation and inter-personal, has been neglected in inter-organisational studies, and thus our understanding of the impact of the institutional environment<sup>2</sup> on inter-organisational processes and practices is limited.

However, it has to be noted that various forms of collaboration, such as IORs and more complex IONs, do not occur in a vacuum (Phillips et al., 2000). They are embedded in both formal institutions<sup>3</sup>, such as contracts, and in informal institutions<sup>4</sup>, such as friendship and familial

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<sup>1</sup> For example, Coad and Cullen (2006) argued that one of the limitations of their study is that it “fails to incorporate the wider contextual environment. Organisational activity is embedded in social and cultural beliefs and values, and cannot be fully understood apart from the context in which it takes place.” (p. 366).

<sup>2</sup> As explained in the previous Chapter, the institutional environment is “organised according to a limited set of institutional logics” (Richardson and Kilfoyle, 2016, p. 35), which underpin various types of institutions.

<sup>3</sup> Formal institutions are ‘hard’ in nature and are exhibited in formal rules, for example legal rules (Narooz and Child, 2016)

<sup>4</sup> Informal institutions (Helmke and Levitsky, 2004) are ‘soft’ in nature (Wiener, 2006). This means that they are “culturally informed” and are exhibited in social norms “and traditional customary practices” (Narooz and Child, 2016, p. 3).

relationships (cf. Owen-Smith and Powell, 2008)<sup>1</sup>. As such, institutional environments sculpt IONs and shape their development (ibid). Furthermore, in order to be able to understand organisational decisions, practices and the behaviour of individuals who make these decisions, they must be located in the wider institutional environment<sup>2</sup> (Jackall, 1988; Friedland and Alford, 1991). Following from this, the researcher argues that to find out how specific IORs of the focal organisation have been formed, how the focal organisation has connected them to form an ION<sup>3</sup> and how various IOMCs have been developed and used to maintain these IORs and ION, they must be placed in the wider institutional context. Therefore, an approach which enables an examination of the interplay between institutional dynamics and the development of IORs, IONs and their IOMCs is deployed in this study.

This Chapter develops and presents the analytical framework which provides a theoretical grounding for analysing issues that emerged from the case study. The approach adopted in this study combines the inter-organisational management control concepts, highlighted in the previous Chapter, with the concept of institutional logics which is one of the emerging themes in institutional analysis<sup>4</sup> (see e.g. Thornton et al., 2005; Thornton and Ocasio, 2008; Thornton et al., 2012). Such a holistic approach enables the researcher to overcome the criticism currently faced by inter-organisational studies, as well as institutional analysis, as will be discussed in the following section.

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<sup>1</sup> Owen-Smith and Powell (2008) refer to these institutions as economic and social.

<sup>2</sup> “This institutional context both regularizes behaviour and provides opportunity for agency and change.” (Thornton et al., 2012p. 46)

<sup>3</sup> IORs are building blocks of IONs (Owen-Smith and Powell, 2008).

<sup>4</sup> More specifically, this thesis adopts and expands the analytical approach developed by Mineev (2012) which synthesises the aforementioned concepts (institutional logics and inter-organisational management control concepts) to examine “the social process of building of an inter-organisational network and [to] analyse the control practices implemented by its members” (p.169). However, Mineev (2012) focused his analysis on the ION formed by private partners in a transitional economy (Russia); whereas the research presented in the current thesis has been conducted in the mixed-type (public-private) ION located in an African developing country.

The remainder of this Chapter is divided into four sections. Following this introduction, institutional theory is evaluated and its criticisms are summarised (section 3.2.). Additionally, the impact of institutional analysis on inter-organisational research is also briefly discussed in this section. In the subsequent section (3.3) the institutional logics approach and its relevance to the current thesis is discussed. The penultimate section (3.4) critically evaluates Mineev's (2012) approach and offers a proposed analytical framework for addressing the research questions and explaining the findings of the case study. Finally, the last section (3.5) provides a summary of the Chapter.

### **3.2. Institutional Theory**

Nowadays, institutional theory is argued to be the dominant analytical lens deployed to understand organisations (Greenwood et al., 2008). However, the early studies using institutional theory (see e.g. Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Zucker, 1983; DiMaggio and Powell, 1991; Powell and DiMaggio, 1991) have been challenged (see e.g. Hasselbladh and Kallinikos, 2000; Lounsbury and Crumley, 2007; Lounsbury, 2008; Scott, 2014) due to its overemphasis on isomorphism in explaining organisational behaviour, in particular organisational change, and thus its focus on homogenisation in institutional fields<sup>1</sup> (DiMaggio and Powell, 1991) and convergent change (Cruz et al., 2009). Nevertheless, the key contribution provided by such research has been to recognise that various rules and routines are treated by actors as taken-for-granted (see e.g. Burns and Scapens, 2000).

It has been argued that institutional research assumes that both institutional fields and individual organisations reproduce the externally imposed institutions, without either changing or applying any modification to these institutional forms (Cruz et al., 2009). Therefore,

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<sup>1</sup> Institutional fields are composed of different organisations which “have their values anchored in different societal-level institutions.” (Thornton et al., 2012, p. 44-45).

institutional theory has been criticised for, amongst other things, lacking the potential to explain the micro-foundations of institutions<sup>1</sup> (Dacin et al., 2002; Lounsbury and Crumley, 2007; Lounsbury, 2008; Thornton et al., 2012), agency<sup>2</sup> (Hopper and Major, 2007; Thornton et al., 2012; Scott, 2014), and institutional change and heterogeneity (Hasselbladh and Kallinikos, 2000; Lounsbury, 2007; Lounsbury and Crumley, 2007; Thornton and Ocasio, 2008; Cruz et al., 2009; Thornton et al., 2012; Scott, 2014). Further, institutional theory has also been criticised for underestimating the significance of the use of power (Ribeiro and Scapens, 2006; Lounsbury, 2008; Scott, 2014) and politics (Yazdifar et al., 2008; Scott, 2014) by institutional actors in influencing the design and change of, for example, IONs and their IOMCs.

Moreover, Scott (2005) complained that: "An embarrassingly large proportion of our theoretical [institutional] conceptions and empirical findings has been constructed by U.S. scholars based on data collected from U.S. organisations." (p.478). Simultaneously, it has been argued that due to considerable heterogeneity in institutional environments, especially in developing or transitional economies, it is important to examine how different institutions, which are underpinned by various institutional logics, influence and shape the strategic choices of organisations (Hitt et al., 2004). This is because the economic, political and socio-cultural conditions of developing countries differ significantly from those of developed countries, such as the US and Western Europe (Alawattage et al., 2007). Put another way, developing countries are more uncertain, and represent a quite different institutional context to Western economies (Mineev, 2012). Therefore, the institutions which impact organisational strategic decisions in such economies, such as the formation of an ION and development of subsequent IOMCs, are

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<sup>1</sup> Micro-foundations of institutions are "the everyday practices that establish sustain or disrupt institutions" (Ezzamel et al., 2012, p. 283).

<sup>2</sup> For example, Scott (2008) argues that the main focus of institutional theory "has been to privilege continuity and constraint in social structure." (p.67) and has contributed to the growing body of criticism of institutional analysis for its inability to explain "agentive behaviour" (Thornton and Ocasio, 2008, p. 113).

also likely to differ, as institutional environments in developing countries tend to be dominated by informal institutions, while institutional environments in developed countries are more likely to be dominated by formal institutions (Narooz and Child, 2016). In this way, compared to the institutional environment in developed economies, institutional environments in developing countries are less stabilised by formal, universal rules which must be adhered to by organisations (Peng et al., 2008). Moreover, in developing countries, in which corruption and bureaucracy is widespread, the enactment of formal regulations tends to be inefficient (Hopper et al., 2009; Everett, 2012). Therefore, informal institutions “may serve up to a point to compensate for gaps in, or failure to apply, hard institutional provisions” (Narooz and Child, 2016, p. 3). As such, due to their informality and immaturity, institutional environments in developing countries are likely to be problematic for organisations (Chrysostome and Molz, 2014; Silvestre, 2015). However, the dearth of management accounting, as well as institutional research in developing countries, affects our understanding of how the environments of such countries affect the IORs, IONs and IOMCs of organisations operating in the context of developing countries.

### 3.2.1. Institutional Theory and Management Accounting Research in the Inter-organisational Context

Institutional theory has been commonly used in accounting studies to explain various phenomena (see e.g. Burns and Scapens, 2000; Tsamenyi et al., 2006; Hyvönen et al., 2012). Three particular strands of institutional theory, namely new institutional economics (see e.g. Coase, 1998), old institutional economics (see e.g. Scapens, 1994) and new institutional sociology (see e.g. DiMaggio and Powell, 1991; Tsamenyi et al., 2006) have had a significant impact on management accounting studies (Scapens and Varoutsas, 2010). Despite being three different strands they have a common ground, namely all three strands recognise the fact that

organisations and their operations cannot be understood without examining their institutional context. In general, management accounting studies applying institutional theory tend to focus on the institutionalised rules, routines and norms, which are capable of shaping, legitimating and changing organisational practices, while at the same time making them more similar (instead of making them divergent) “as practices gradually comply with the institutional logic of their field” (Mikes, 2012, p. 349). Similarly, Scapens and Varoutsas (2010) argued that institutions provide the rules upon which IORs are constructed, while the IORs themselves supply “the context for the ongoing procedures of structuration that maintain the institutional [or organisational] field” (ibid, p. 323). Following this direction in institutional analysis, ION researchers have applied institutional theory to argue that the legitimacy of IORs is a key to their success and, what is more, it can be a basis of competitive advantage (Human and Provan, 2000; Scapens and Varoutsas, 2010).

Institutional theory has considerable potential in studying IOMCs (Scapens and Varoutsas, 2010; Mineev, 2012). Nevertheless, apart from TCE, which is a specific branch of institutional theory, or more precisely new institutional economics, relatively few studies have employed institutional analysis to examine IONs and management accounting practices within them (Scapens and Varoutsas, 2010; Mineev, 2012). However, TCE has only proven useful in studies of simple dyadic relationships (see e.g. van der Meer-Kooistra and Vosselman, 2000; Spekle, 2001; Dekker, 2004; Anderson and Dekker, 2005), but not in IONs. TCE lacks the potential to explain complex IONs (Vosselman and van der Meer-Kooistra, 2006; Langfield-Smith, 2008). Therefore, it is not able to explain the issues addressed in the current thesis. Additionally, it has been reported that TCE is not helpful in answering questions about how the formation of processes and change takes place, and therefore it cannot be used to provide a theoretical grounding for answering the research questions addressed in the current thesis. Thus, amongst

other reasons, an interdisciplinary analytical approach, which addresses the limitations of institutional theory, while recognising its strengths (e.g. the insights into how culture and macro structures influence organisations), namely the institutional logics approach, is adopted in the current study. The following section explains the institutional logics approach and its relevance to the research conducted in the current thesis.

### **3.3. Institutional Logics Approach**

The institutional logics approach emerged as a development of institutional analysis, and “incorporates theoretical mechanisms that explain the partial autonomy of actors from structure [...] that help explain *how institutions constrain and enable individual and organizational actors*, thus creating a theory of institutional stability and change” (Thornton et al., 2012, p. 7, emphasis added). What is more, the institutional logics approach is “a metatheory of institutions that includes organizations” (ibid, p. 62) and posits “institutional logics as defining the content and meaning of institutions” (Thornton and Ocasio, 2008, p. 100). While the institutional logics approach differs from the institutional approach initiated by Meyer and Rowan (1977), Zucker (1977), DiMaggio and Powell (1983) and Powell and DiMaggio (1991), at the same time it shares their concern about “how cultural rules and cognitive structures shape organizational structures” (Thornton and Ocasio, 2008, p. 100). However, its emphasis “is no longer on isomorphism, whether in the world system, society, or organisational fields, but on the effects of differentiated institutional logics on individuals and organizations in a larger variety of contexts, including markets, industries, and populations of organizational forms. Institutional logics shape rational<sup>[1]</sup>, mindful behaviour” (ibid).

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<sup>1</sup> Contrary to the notion of economic rationality, the institutional logics approach implies that “[a]ctors are rational in the sense that they are able to act within the boundaries of institutional logics” (Järvinen and Parker, 2016, p. 876)

Moreover, the institutional logics approach links institutions and actions, thereby bridging the gap between Zucker's (1977, 1983) micro (process) approach and Meyer and Rowan's (1977) and DiMaggio and Powell's (1983) macro (structural) view. The institutional logics approach overcomes the criticism of the diffusion and isomorphism studies by connecting situated forms of organising with beliefs and practices in broader institutional environments (Hasselbladh and Kallinikos, 2000; Thornton and Ocasio, 2008). For example, DiMaggio and Powell's isomorphic approach to organisations operating in an organisational field implies that these organisations are likely to be isomorphic because they observe each other, have some relations, e.g. they compete and/or cooperate, and thus can be isomorphic (Thornton et al., 2012). However, such an approach misses the important point: why are they different and why do they cooperate (e.g. why do they form IORs) and/or compete (Thornton et al., 2012)?

Until recently, questions regarding the origins of new practices and new organisational forms have been ignored by institutional researchers (Lounsbury and Crumley, 2007). In addition, until recently, there has been a predominant and, at the same time, incorrect assumption in the inter-organisational literature that IONs do not differ significantly (Provan et al., 2007), i.e., they have been described as a homogeneous phenomenon. Provan and Kenis (2008) explained that "functionalist argument dominated [the literature], claiming that networks are a response to failures of markets [and] failures of hierarchical coordination" (p. 233).

Simultaneously, it has been argued that although the scope of institutional analysis has been expanded in the last decades, it has been "largely used to explain both the persistence and the homogeneity of phenomena" (Dacin et al., 2002, p. 45). However, recently institutional researchers have redirected their focus to the study of organisational heterogeneity and practice variation (Lounsbury, 2001, 2008; Cruz et al., 2009; Ezzamel et al., 2012; Lander et al., 2013;

Amans et al., 2015). By highlighting the complexity of institutional environments, new developments in institutional analysis have started to show potential to explain the sources and consequences of heterogeneous organisational forms (Lounsbury, 2008). Thus, they will enable the researcher to explain differences in the various forms of IORs constituting the ION of the focal organisation as well as different types of IOMCs deployed in this ION and the reasons behind them. Multiple forms of institutional logics rooted in institutionally complex environments (Greenwood et al., 2011; Besharov and Smith, 2014) provide a foundation for the explanation of the organisational heterogeneity which leads to different forms of rationality. This suggests that an ION does not have to be a response to the failure of either markets or hierarchies but can be formed as a result of an interplay between various institutional logics (see e.g. Mineev, 2012) which shape practice variations within an ION (ibid). This new approach to institutional research provides the basis for a more detailed analysis of practices and actors (Lounsbury, 2008). Therefore, it is relevant to explain the findings of the case study conducted in the current thesis.

Furthermore, in his seminal work, Powell (1990) contended that IONs, have institutional logics which differentiate them from the other two aforementioned forms of organisational governance (markets and hierarchy). However, recent empirical research proposes that, despite being an age-old form of governance, networks are utilised selectively to coordinate various economic activities depending on the (dominant) institutional logic/s in a sector, for example, accounting, architecture and publishing (see Thornton et al., 2005). The research conducted in the current thesis further explores this suggestion in the ION of a public organisation operating at the intersection of the pensions field and the real estate fields to understand how the formation of mixed type IONs and the development of their IOMCs are affected by the broader institutional logics. The institutional logics approach (see e.g. Thornton, 2004; Thornton and

Ocasio, 2008; Thornton et al., 2012) enables such an analysis as each institutional order<sup>1</sup> makes its own assumptions about the form of governance used by specific organisations. Furthermore, each institutional order is associated with a distinctive institutional logic, therefore it can be argued that “institutional logics give rise to particular types of organization by defining their appropriate objectives, designs, and governance structures (e.g. the corporation as the typical organizational form in the market logic, and the administrative-bureaucratic unit as the typical form in the state logic).” (Meyer et al., 2014, p. 863).

In addition, it has been argued that “institutional logics are inextricably linked to concrete structures that define the authority relationships that characterize organizational forms” (Owen-Smith and Powell, 2008, p. 602). However, institutional logics are capable of doing much more than transforming a collection of roles into a formal organisation (ibid). As suggested by Greenwood et al. (2010) “[o]rganizational forms and managerial practices are manifestations of, and legitimated by, institutional logics.” (p.521). Therefore, in order to understand why and how organisations form IONs and develop IOMCs, it is necessary to trace the relationship between organisations and the logics that constitute their institutional context, as well as the impact of the institutional logics on the formation and development processes. In order to provide a comprehensive explanation of the adopted approach, the following sub-section explains the origins of the institutional logics approach.

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<sup>1</sup> Based on Alford and Friedland’s (1991) argument that society constitutes various institutional orders.

### 3.3.1. Origins of the Institutional Logics Approach

Alford and Friedland (1985) introduced the concept of institutional logics in order “to describe the contradictory practices and beliefs inherent in the institutions of modern western societies” (Thornton and Ocasio, 2008, p. 101). Then the concept was further developed by Friedland and Alford (1991), who were concerned with providing an explanation of institutional change<sup>1</sup> (Greenwood et al., 2008; Thornton et al., 2012). As Friedland and Alford viewed institutions as “supra organisational patterns of activity rooted in material practices and symbolic systems by which individuals and organisations produce and reproduce their material lives and render their experiences meaningful” (Thornton and Ocasio, 2008, p. 101), they also wanted to develop the concept of logics “in the context of exploring interrelationships between individuals, organisations and society” (ibid).

Furthermore, Friedland and Alford’s study was a critique of the, at that time dominant, institutional approach that tended to focus on the concepts of institutional isomorphism and institutional fields (DiMaggio and Powell, 1983). Friedland and Alford argued that “while institution shaping may be instantiated in organisational fields, the root of institutionalization stems from societal-level institutions, not as DiMaggio and Powell (1983) argued from the structuration of organisation fields” (Thornton et al., 2012, p. 41).

In addition, Friedland and Alford (1991) criticised other approaches, such as rational choice approaches in e.g. economics, political science, sociology and organisation theories, which all refrain from theorizing the role of the wider social context (Lounsbury and Boxenbaum, 2013). They also raised a question concerning network theories: namely, why they do not explain why people are connected, and why do status and power not have common effects (Thornton et al.,

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<sup>1</sup> “It is the incompatibility of logics that provides dynamics for potential change” (Greenwood et al., 2008, p. 21).

2012)? Their criticism of the abovementioned approaches has stimulated the development of the institutional logics approach, which introduces a “non-functionalist conception of society as a potentially contradictory inter-institutional system” (Friedland and Alford, 1991, p. 240) and stresses the relevance of three-dimensional analysis, which includes an examination of “individuals competing and negotiating, organisations in conflict and coordination, and institutions in contradictions and interdependency” (Friedland and Alford, 1991, p. 240-241)<sup>1</sup>. The main focus of the analysis is “the notion of institutional contradiction and the fact that institutional logics must be understood as simultaneously material and symbolic” (Lounsbury and Boxenbaum, 2013, p. 6).

Friedland and Alford’s (1991) concept of an inter-institutional system has introduced the idea that institutions have an order and they are organised in specific ways, namely in specific institutional orders, such as the capitalist market, bureaucratic state, democracy, nuclear family, and Christian religion (see Table 3.1). Their argument was that Western society is made up of these five institutional orders, i.e. “systems of institutional logics” (Ezzamel et al., 2012, p. 284) and “each institutional order of the inter-institutional system distinguishes unique organising principles, practices, and symbols that influence individual and organisational behaviour.” (Thornton et al., 2012, p. 2). These organising principles, practices and symbols constitute a distinctive institutional logic<sup>2</sup>. Putting it another way, each institutional order is associated with an institutional logic which activates the values, worldviews and frames of references of organisational actors (Meyer et al., 2014). Adopting the institutional logics approach to explain the findings of the research conducted in the current thesis implies that the

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<sup>1</sup> It has to be noted that “[t]he concepts of “individual” and “organisation” can be transposed, and that the inter-institutional system provides a framework for understanding a levels metatheory of institutions” (Thornton et al., 2012, p. 52).

<sup>2</sup> A single institutional logic “is understood to consist of linked material (practices) and symbolic (meanings) elements that work together to constitute a particular type of institutional order. Society is conceived as of arrays or systems of institutional logics that shift compete and interact” (Ezzamel et al., 2012, p. 284).

society of WSSAC is made up of institutional orders. Therefore, in order to answer the research questions addressed in this thesis, the researcher will identify the dominant logics which influence the behaviour of the focal organisation and its managers and employees, thereby providing those social actors with various motives to form IORs with specific partners.

Table 3.1 summarises Friedland and Alford’s idea of the inter-institutional system of institutional orders. Although Friedland and Alford (1991) did not hypothesise the cells content, Thornton et al. (2012) refined and expanded upon their approach in order to classify organising principles and institutional orders in this way.

*Table 3.1 Inter-institutional System of Institutional Orders*

	X-Axis: Institutional orders (systems of institutional logics)				
Y-Axis: Organising principles	Capitalist Market	Bureaucratic state	Democracy	Nuclear Family	Christian Religion
Rituals that reinforce beliefs	Signing contracts	Issuance of budgets & plans	Voting	Marriage	Communion
Relativation of values	Accumulation & commodification of human activity	Rationalization & regulation of human activity	Popular control over human activity	Motivation of human activity	Symbolic construction of human activity
Basis of affiliation		Legal and bureaucratic hierarchies	Citizen participation	Community	Membership in congregation
Basis of obligation	Convert human activity to a price	Convert diverse individual issues into consensus		Reproduction of family members	Convert issues into moral principles
Basis of loyalty				Unconditional to members	Faith of congregation

(Thornton et al., 2012, p. 43)

Thornton (2004) argued that Friedland and Alford's (1991) approach can be conceptualised as a matrix in which institutional orders, and organising principles that form institutional orders, are listed on axis X and Y respectively. Furthermore, through refining and developing Friedland and Alford's "matrix", Thornton (2004) made a first attempt to respond to criticisms of Friedland and Alford's composition of society. Friedland and Alford's typology has been accused of being incomplete, and not abstract enough to be applied across all societies (it referred to the modern western societies), and the institutional orders were argued to be not sufficiently analytically distinct (Doty and Glick, 1994).

In her expanded version of Friedland and Alford's idea of inter-institutional society, Thornton (2004) dropped bureaucracy from its particular association with the institutional order of "bureaucratic state". She argued that bureaucracy is an organisational form that could be associated with any other institutional order, e.g. Christian religion (Catholic Church). Additionally, she raised a question of 'democracy' being labelled as one of the institutional orders. Democracy is an ideology, the same as socialism or communism, which is different from institutional logics, and therefore it should be removed from the X-axis. The same as bureaucracy, democracy can be a component of other institutional orders, e.g. the state, and thus it could be listed on the Y-axis.

Furthermore, she expanded the matrix with some institutional orders that were missing from Friedland and Alford's inter-institutional system, namely "profession" and "corporation". One may argue that the corporate institutional order could be defined and named as an organisational order because organisation is a boarder concept. However, corporation is not only an institution but also a governance system, whereas organisation is a structure, e.g. a network or a hierarchy, but it does not have to be either an institution or a governance order

(Selznick, 1957). Therefore, organisation can be a category on the Y-axis which can change according to different institutional orders; whereas a corporation is one of the institutional orders on the X-axis. As Thornton et al. (2012) further explained, “The corporation is an institutional innovation with its origins traced to the shift from personal to corporate rights with the fragmentation of feudalism and the seventeenth-century philosophers’ emphasis on ‘natural rights’[...] The corporation is a legal institution that has given rise to a wide range of economic activity because of its distinct advantages such as capital assimilation, ability to engage in contracts, and limited liability for shareholders.”(p. 67). The rise of the corporation has been argued to be one of the most significant constitutive elements allowing us to separate the pre-modern from the modern world (Scott, 2003b). Since Friedland and Alford (1991) proposed a typology of the inter-institutional systems in ‘modern society’, corporation should have not been absent from the X-axis.

Thornton et al. (2012) further developed Thornton’s (2004) work by adding “community” to the X-axis. They contended that “communities embody local understandings, norms and rules that serve as touchstones for legitimating mental models upon which individuals and organisations draw to create common definitions of a situation” (Thornton et al., 2012, p. 68). Therefore, local communities are of vast importance to the study of organisations and institutions. Additionally, it is important to underscore the distinction between community and society. While the concept of community refers to “the collective relationships between people that emphasise the interpersonal and particularistic” (ibid, p. 68), society implies “the transparent, anonymous, and universal” (ibid). However, Thornton et al. (2012) not only expanded the taxonomy through adding community as one of the institutional orders, they also abbreviated it by removing from Y-axis some of the organising principles, or in other words elements, that the constitute content of institutional logics, for example forms of ownership,

organisation form and logic of investment, which can be important in explaining the findings of the research conducted for the current thesis. Therefore, for the purpose of this research, the researcher combines both taxonomies, namely Thornton's (2004) and Thornton et al.'s (2012). This combination provides the researcher with a comprehensive set of ideal type societal-level institutional logics for each of the institutional orders (columns) (Thornton, 2004; Thornton et al., 2005). The refined and redeveloped matrix of modern society which constitutes different institutional orders is presented in Table 3.2.

Table 3.2 Refined and Redeveloped Ideal Type Societal-level Institutional Logics for each of the Inter-institutional Systems<sup>1</sup>

Y-Axis:	X-Axis: Institutional orders						
Organising principles	Market	Corporation	Profession	State	Community	Family	Religion
Economic System	Market capitalism	Managerial capitalism	Personal capitalism	Welfare capitalism	Cooperative capitalism	Family capitalism	Occidental capitalism
Root Metaphor- Natural Effect of Symbolic Analysis	Market as Transaction	Corporation as hierarchy	Profession as relational network	State as redistribution	Common boundary	Family as firm	Temple as a bank
Theories	Agency	Managerial	Neo-Institutional	Resource Dependence		Power-Elite	Authority
Source of Legitimacy	Share price	Market position of a firm	Personal experience	Democratic participation	Unity of will Belief in trust & reciprocity	Unconditional loyalty	Importance of faith & sacredness in economy & society
Source of Authority	Shareholder activism	Board of directors, Top management	Professional association	Bureaucratic dominant	Commitment to community values & ideology	Patriarchal dominant	Priesthood charisma
Source of Identity	Faceless	Bureaucratic roles	Association with quality of craft, Personal reputation	Social & economic class	Emotional connection, Ego-satisfaction & reputation	Family reputation	Association with deities

<sup>1</sup> Some of the ‘community’ cells are empty because Thornton et al. (2012) who added this institutional order to the typology, also deleted seven basic categories that form institutional orders from the typology offered by Thornton (2004). Therefore, when both typologies Thornton et al. (2012) and Thornton (2004) have been merged, the seven removed basic categories have been omitted in Thornton’s et al. (2012) addition, namely the ‘community’ institutional order.

<b>Basis of Norms</b>	Self-interest	Employment in firm	Membership in guild & association	Citizenship in nation	Group membership	Membership in household	Membership in congregation
<b>Basis of Attention</b>	Status in market	Status in hierarchy	Status in profession	Status of interest group	Personal investment in group	Status in household	Relation to supernatural
<b>Basis of Strategy</b>	Increase efficiency profit	Increase size and diversification of firm	Increase personal reputation	Increase community good	Increase status & honour of members & practices	Increase family honour	Increase religious symbolism of natural events
<b>Formal Control Mechanism</b>	Enforcement Regulation	Board and Management Authority	Internal and external Peer Review	Enforcement of Legislation		Rules of Inheritance and Succession	Rationalisation of Usury and Norms of Taboos
<b>Informal Control Mechanism</b>	Industry analysts	Organisation culture	Celebrity professionals	Backroom politics	Visibility of action	Family politics	Worship calling
<b>Learning Mechanism</b>	Competition prices	Competition Training and Routines Subunit of Firm	Cooperation Apprenticing Relational Network	Popular Opinion Leadership		Sponsorship	Analogy and Parable Formulae or Prayer, Routinization of Preaching
<b>Forms of ownership</b>	Public	Public	Private	Public		Private	Private
<b>Organisation form</b>	Marketplace	M-form Organisation	Network Organisation	Legal Bureaucracy		Family Partnership	Religious Congregation
<b>Logic of exchange</b>	Immediate Best Bargain	Personal Career Advancement	Indebtedness and Reciprocity	Political Power		Family Power	As sign of God's Grace
<b>Logic of Investment</b>	Capital Committed to Capital Markets	Capital Committed to the Corporation	Capital Committed to the Nexus of relationships	Capital Committed to Public Policy		Capital Committed to Household	Capital Committed Enterprise Salvation

Adapted from Thornton (2004) and Thornton et al. (2012)

Each of the institutional orders in Table 3.2 is characterised by “a set of cultural symbols and material practices that comprise its organising principles” (Thornton et al., 2005, p. 127), and dictates “vocabularies of motives <sup>[1]</sup>, the logics of action and the sense of self for sector [institutional order] participants” (ibid). More precisely, the organising principles of institutional logics, i.e. their content, is represented in taxonomies organised by institutional orders (Thornton et al., 2005). This means, that organising principles of institutional logics represent theoretical assumptions about institutional and organisational arrangements within the particular institutional order. Moreover, “each societal logic predicts organisation structures and governance mechanisms typically used to coordinate economic activity as a part of a broader range of elements that define an institutional logic in its entirety” (Thornton et al., 2005, p. 129). Furthermore, it has to be noted that organisations and individual actors can be influenced by the logics of multiple institutional orders, as a result they tend to act in a hybrid manner (Thornton et al., 2005).

In order to identify and examine the institutional logics that shape the formation of the ION of a focal organisation and the design of its IOMCs, the research adopts the mix of typologies of modern inter-institutional society presented in Table 3.2. For instance, some of the theoretical assumptions for institutional and organisational arrangements that denote the content of a specific institutional logic, e.g. form of ownerships and organisation form, has been removed by Thornton et al., (2012) from Thornton’s (2004) classification. However, they seem to be particularly important when examining the practices and behaviour of public organisations, such as the case organisation. Furthermore, as the literature on developing countries highlights

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<sup>1</sup> The term ‘vocabulary of motive’ (Meyer et al., 2014), ‘vocabulary of motivation’ (Ezzamel et al., 2012) and ‘vocabulary of practice’ (Thornton et al., 2012) can be used interchangeably. Thornton et al. (2012) define vocabularies of practice as “systems of labelled categories used by members of a social collective to make sense of and construct organising practices.” (p.159). Furthermore, they argue that vocabularies of practice guide decision making and social interactions, which are inextricably linked with the inter-organisational relations, and are critical to communication and sense-making.

the importance of local communities in this context<sup>1</sup>, Thornton et al.'s (2012) typology, which adds 'community' to Thornton's (2004) typology, is relevant for this thesis. Therefore, the combination of these typologies is the most appropriate as it provides a comprehensive picture of the institutional logics in various institutional orders.

The typology presented in Table 3.2 leads to a crucial distinction between the institutional logics approach and institutional theory, which adopts a binary view of rationality<sup>2</sup>. The aforementioned typology carries the assumption that, in research adopting institutional logics, rationality should be theorised in terms of the rationalities derived from the different institutional orders, i.e., each institutional order presents a unique view of rationality (Thornton et al., 2012). Consequently, the institutional logics approach explains "how action depends on how individuals and organisations are situated within and influenced by the spheres of different institutional orders, each of which presents a unique view of rationality" (Thornton et al., 2012, p. 10). Therefore, adopting the institutional logics approach to explain the findings of the research conducted in the current thesis will require the researcher to elucidate the different rationalities of the social actors that impact on the formation of the ION and its IOMCs. Moreover, contrary to the TCE approach, which implies an 'economic rationale' for the formation of IONs and IOMCs, e.g. minimising costs, the institutional logics approach is an interdisciplinary metatheory that embraces the complexities of an ION's environment which lead to differing rationalities. Therefore, the researcher will be able to explore the various forms of rationality that influence organisations' and individuals' decisions, and how they tackle various issues related to their IORs and IOMCs. Adopting such an 'interdisciplinary' perspective is consistent with Langfield-Smith's (2008) argument that in order to study

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<sup>1</sup> See "Case Study Context" section in Chapter five (p. 161-167).

<sup>2</sup> Institutional theory assumes a binary contrast between rational and non-rational actors (Thornton et al., 2012).

complex inter-organisational settings an approach that complements the rational economic perspective should be adopted.

The typology of inter-institutional systems adopted in the current thesis provides the researcher with an analytical approach which is not limited to the expectations of modern Western society (Thornton and Ocasio, 2008). In other research, such an approach has been shown to be helpful in explaining the findings of empirical research conducted in other international settings (see e.g. Luo, 2007; Chung and Luo, 2008). More importantly, the institutional logics approach was used, although in a limited manner, by Mineev (2012) to examine the development and management of an ION and its IOMCs in the context of a transitional economy. However, Mineev (2012) is not the only one who has used the institutional logics approach to examine management controls issues. Other scholars, publishing in major (management) accounting journals, such as *Management Accounting Research*, *Accounting, Auditing and Accountability Journal* and *Accounting, Organizations and Society*, have adopted this approach (see e.g. Cruz et al., 2009; Ezzamel et al., 2012; Amans et al., 2015; Carlsson-Wall et al., 2016). Generally, the institutional logics approach has become increasingly popular amongst (management) accounting researchers (see e.g. Lander et al., 2013; Ahrens and Khalifa, 2015; Schäffer et al., 2015; Dai et al., 2016; Järvinen and Parker, 2016). This supports the relevance of the institutional logics approach for the research conducted in this thesis.

The evolution of the institutional logics approach, and more specifically the constituents of the inter-institutional system, has led to shifts in the definition of institutional logics. The following sub-section explains the definition of institutional logics adopted in this thesis.

### 3.3.2. Definition of Institutional Logics

Usually organisations must comply with both the values and expectations of different stakeholders (Pache and Santos, 2010; Carlsson-Wall et al., 2016). Institutional scholars define these demands in terms of “institutional logics” (Friedland and Alford, 1991; Thornton et al., 2012).

A core premise of the institutional logics perspective is that *the interest, identities<sup>11</sup>, values and assumptions of individuals and organisations are embedded within prevailing institutional logics* (Thornton et al., 2012, p. 6, emphasis added ).

Although the core premise of the institutional logics approach has been clearly explained in the literature, it has been argued that, as with any institutional concept, the definition and usage of institutional logics varies (Greenwood et al., 2008; Thornton and Ocasio, 2008; Amans et al., 2015). Greenwood et al. (2008, p. 21) argued that the important distinction between various definitions of institutional logics is between those scholars who claim that “logics at the field level are nested within higher-order societal institutional logics” (see e.g. Meyer et al., 2014) and those who “identify logics within a field without referencing their social patronage” (see e.g. Mineev, 2012).

Generally speaking, institutional logics “prescribe what constitutes legitimate behaviour in a particular institutional field and provide taken-for-granted templates for what goals are legitimate and in what manner they should be pursued” (Carlsson-Wall et al., 2016, p. 47, see also Reay and Hinnings, 2009; Pache and Santos, 2013). Nevertheless, while explaining the findings of the research conducted in the current thesis, the researcher will follow the idea of

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<sup>1</sup> The organisational identity can be studied by either considering the identity of the individual organisation focusing on intra-organisational dynamics, emphasising the idiosyncratic character of the organisation or considering a collective organisational identity, which focuses on explaining how organisations resemble each other as a consequence of being a part of a common collective identity (Thornton et al., 2012). Institutional logics shape both individual and collective organisational practices. What is more, changes in these identities can catalyse shifts in logics. Furthermore, Greenwood et al. (2011) argue that identity is a useful focal point for studying the multiplicity of logics.

the precursors of institutional logics approach - Friedland and Alford (1991), and will refer to the institutional orders of contemporary developing countries. This is consistent with the originators of the institutional logics approach who argue that institutional fields can have their own logics, for example as in the analytical framework developed in the current thesis, public sector logics and private sector logics, but these are nested within the “higher-order societal institutional logics”. This means that “the instantiations of logics within fields, organisations and individuals draw from and are nested within these societal-level logics” (Besharov and Smith, 2014, p. 366). Therefore, organisational decisions can result from public sector logics which are nested in, for example, a community logic that shapes the identities of individuals working in organisations and which they (un)consciously use as their ‘vocabulary of motives’. It is worth noting that a number of empirical studies have already identified various logics in different sectors and industries, which have been defined as institutional/organisational fields and sub-fields. For example, Meyer et al. (2014) argue that in the Austrian public sector, two key institutional logics shape the behaviours of organisations and individuals, namely a legalistic-bureaucratic logic and a managerial logic, both of which are nested within state and market logics respectively. Other empirical studies have identified various logics, such as for example a sport and business logic in the sport sub-field of the popular culture field (Carlsson-Wall et al., 2016), a regulatory logic in the finance industry in America (Lounsbury, 2002), a trustee logic and a commercial logic in the accounting field (Lander et al., 2013), as well as arts, managerial and political logics in the performing arts organisations (Amans et al., 2015), all of which are embedded in a combination of the aforementioned broader societal logics, for example family logic, market logic, state logic, community logic and corporation logic.

In line with the above arguments and the philosophical assumptions of the thesis, which will be discussed in the next Chapter, the researcher adopts a definition of institutional logics as

*“the socially constructed sets of material practices, assumptions, values and beliefs that shape cognition and behaviour”* (Besharov and Smith, 2014, p. 365) of organisations and individuals (Reay and Hinings, 2009; Amans et al., 2015). This means that institutional logics represent a frame of reference that conditions actors’ choices for “sense-making, the vocabulary they use to motivate action [...]. The principles, practices and symbols of each institutional order differentially shape how reasoning takes place and how rationality is perceived and experienced.” (Thornton et al., 2012, p. 2).

More precisely, “institutional logics are the basis of taken-for-granted rules [i.e. institutions]” (Reay and Hinings, 2009, p. 49), which guide participants in an organisational field. Adopting such a definition will help to facilitate the researcher’s explanation of the rationales behind the different decisions of various organisational actors, who are in a position to shape the practices of the organisation, e.g. its cooperation with multiple partners (IORs) and the design of IOMCs. The research will identify the institutional logics driving the behaviour of organisational actors and the values and beliefs associated with these logics. These values and beliefs can contribute to shaping the actions of any kind of field participants. As explained by Owen-Smith and Powell (2008), “organisational and economic actions result from a complex lamination of motivations and meanings that participants draw from the various fields in which they participate” (p. 603) which are embedded in wider institutional orders. This means that institutional logics deliver guidelines on how to function in social situations and on how to interpret them, and thereby provide the means for understanding the social world (Greenwood et al., 2011).

Although numerous definitions of institutional logics differ in their emphasis, they “all presuppose a core metatheory” which suggests that in order to be able to comprehend the

behaviour of individuals and organisations, such behaviour must be located in an institutional environment (Thornton and Ocasio, 2008, p. 103). Such an understanding of the institutional logics approach provides the researcher with principles which prescribe “how to interpret organisational reality, (and) what constitutes appropriate behaviour” (Thornton, 2004, p. 70) within a given time and context (Besharov and Smith, 2014).

The metatheoretical assumptions that are vital to the analysis of the research conducted for the current thesis are as follows. First of all, field-level logics are shaped by, but are distinct from the logics of the inter-institutional system. The broader societal-level institutional logics shape the behaviour of various actors in different ways as a consequence of the impact of a number of factors, such as the cultural, geographic and historical context in which they operate (Greenwood et al., 2010), i.e. country specific factors, the experiences and identities of individuals, and the reliance of organisations on their main resource providers (Greenwood et al., 2011; Besharov and Smith, 2014). Secondly, the researcher assumes that although institutional logics have an impact on cognition and actions of actors, these actors can have an impact on how logics are instantiated in organisations, i.e. they can express ‘agency’<sup>1</sup>. Finally the researcher believes that the majority of organisations are exposed to multiple logics (Kraatz and Block, 2008; Greenwood et al., 2010; Greenwood et al., 2011; Besharov and Smith, 2014). This is because, although “logics are fundamental and influential, organizational [institutional] fields are rarely subject to a single dominant logic” (Lander et al., 2013, p. 131). As such, organisations deal with multiple and very often, but not always, contradictory logics (Thornton et al., 2005; Lounsbury, 2007; Purdy and Gray, 2009; Reay and Hinings, 2009; Lander et al.,

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<sup>1</sup> Scott (2008) defines agency as “an actor’s ability to have some effect on the social world—altering the rules, relational ties, or distribution of resources.” (p.77). Relational ties form the basis of IORs, whereas the distribution of resources is very important in public organisations which are responsible for the distribution of public resources when public organisations form IORs with private partners. Therefore, the concept of agency can be helpful in explaining the findings of the research conducted in the current thesis.

2013). Organisations operating in institutional fields pervaded by multiple logics tend to embody them (Kraatz and Block, 2008; Greenwood et al., 2010; Greenwood et al., 2011; Besharov and Smith, 2014). Such organisations have been defined as hybrid organisations (Boland Jr et al., 2008; Pache and Santos, 2013a, b; Dai et al., 2016)<sup>1</sup> and are argued to be, by nature, arenas of contradiction (Pache and Santos, 2013a, b). Nevertheless, they are gaining prevalence in modern societies (Kraatz and Block, 2008; Pache and Santos, 2013a, b). Furthermore, to the extent that the actions enabled and/or constrained by the various logics are incompatible, or seem to be incompatible, they can create tensions that lead to issues and challenges for the organisations facing them. These tensions can be handled in various ways by different organisations and individuals, and subsequently practice variations can develop (Amans et al., 2015). In this thesis the research will examine, amongst other things, how such tensions can impede cooperation between the focal organisation and its partners. The following section explains in more detail the issue of multiple logics and its relevance in the current thesis.

### 3.3.3. Institutional Complexity and Multiple Logics

Organisations tend to comply with institutional logics so they can obtain “endorsement from important referent audiences” (Greenwood et al., 2011, p . 318), i.e. various stakeholders. Nowadays, organisations operate in a world characterised by increasing institutional complexity (Kraatz and Block, 2008), which has been defined as a multiplicity of logics (Friedland and Alford, 1991; Lounsbury, 2007; Smets and Jarzabkowski, 2013). For example, Greenwood et al. (2010) introduced the concept of institutional complexity to refer to organisational environments where organisations face a variety of pressures stemming from

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<sup>1</sup> Hybridity is a broad and complex concept in the study of organisational practices (Miller et al., 2008; Battilana and Lee, 2014) and it is argued that hybrids can take various forms (Pache and Santos, 2013b). However, in the current study the researcher follows Pache and Santos (2013b) and Dai et al. (2016), and argues that organisations which encompass organising principles of different institutional logics can be considered hybrid organisations.

multiple institutional logics. Greenwood et al. (2011) then extended the idea of institutional complexity. However, the researcher adopts the definition of institutional complexity used by Amans et al. (2015) as they adopt a broader conception of institutional complexity than Greenwood et al. (2011) who insist on the incompatibility of coexisting logics. Amans et al. (2015) argue that “the multiplicity of institutional logics, be they mutually incompatible or not, grounds institutional complexity.” (p. 48).

Recent studies argue that various logics may co-exist within organisations (Lounsbury, 2007), thereby shaping their hybrid nature. Hence, a ‘new’ stream of research has begun to study how the multitude of logics affects organisations (see e.g. McPherson and Sauder, 2013; Pache and Santos, 2013b, a; Besharov and Smith, 2014) and what strategies organisations can employ to respond to demands stemming from multiple logics in an intra-organisational context<sup>1</sup> (Greenwood et al., 2011; Pache and Santos, 2013b). Moreover, an emerging stream of management accounting research has started to examine impact of institutional complexity on management controls used by organisations (Ezzamel et al., 2012; Lander et al., 2013; Amans et al., 2015; Carlsson-Wall et al., 2016; Dai et al., 2016)<sup>2</sup>. These studies provide the important insight that institutional complexity can create practice variations in the management controls used by organisations operating in the same institutional field (see e.g. Ezzamel et al., 2012; Amans et al., 2015) as well as within an organisation (Carlsson-Wall et al., 2016). Furthermore, it was reported that the deployment of specific management controls may help hybrid organisations to maintain their hybridity (Dai et al., 2016). However, no studies have so far

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<sup>1</sup> The suggested strategies to manage multiple logics are coupling, selective coupling, structural differentiation and compromise (for an explanation of these strategies see e.g. Pache and Santos, 2013b; Carlsson-Wall et al., 2016)

<sup>2</sup> For example, Ezzamel et al. (2012) examined impact of multiple logics on budgeting practices used by schools in educational field in England and Wales. While, Dai et al. (2016) studied impact of the various logic on a Chinese, hybrid enterprise and argued that these different logics have been designed into the management controls in a different way and to varying extents.

focused on how the multiplicity of institutional logics within an organisational field and within an organisation affects the formation of IORs, IONs and the development and use of the IOMCs of an organisation which faces such institutional complexity. Simultaneously, Battilana and Lee (2014) raised some questions regarding the IORs formed by hybrid organisations. More precisely, they asked if a hybrid organisation which forms IORs with like organisations is more likely to maintain its hybrid character compared to a hybrid organisation which forms IORs with typical “for-profits or not-for-profits” organisations (ibid, p. 420), i.e., non-hybrid organisations. Further, they asked if hybrid organisations “risk compromising their hybrid nature” by interacting with non-hybrid organisations (ibid, p. 420). Subsequently, they suggested that future research needs to study hybrid organisations’ IONs and their evolution to help address the aforementioned questions. Therefore, by building on the ideas developed in management control research in the intra-organisational context, this study intends to enrich our understanding of the impact of institutional complexity on management controls in the inter-organisational context. Additionally, this study will seek to address the questions posed by Battilana and Lee (2014) by investigating how the IOMCs deployed by a hybrid organisation can facilitate its endeavours to maintain its hybrid character in its interactions with for-profit organisations, as well as not-for profit organisations, including the government.

When examining the research findings, the researcher has to consider an important issue raised by Carlsson-Wall et al. (2016). First, it has to be understood whether multiple institutional logics put competing demands on organisational actors. If not, and the logics are compatible, then there is no managerial challenge when forming the ION and designing IOMCs and, therefore, there is no need to worry about the multiplicity of logics. For instance, if a specific decision is economically rational and in agreement with regulatory demands, then no disagreement between the managerial logic and the regulatory logic would appear. However,

if prioritising one of the logics over the other is necessary, then this incompatibility would most probably lead to a managerial challenge. In the context of this thesis, this is likely to be a challenge for organisational actors of a socially responsible investment fund like the case organisation. For example, managers might have to “decide on a case-to case basis whether to invest in a particular firm [or form an IOR] or not, taking into account that they seek to adhere both to the business logic and the logic of social responsibility” (Carlsson-Wall et al., 2016, p. 48). This means that multiple logics provide diverse forms of institutionally based rationality, and therefore can impact the formation and structure of the ION and lead to practice variations while designing and deploying IOMCs.

Furthermore, “the nature and extent of institutional complexity faced by organisations is fundamentally shaped by the structure of the organisational [institutional] fields within which they are located” (Greenwood et al., 2011, p. 334). For example, in highly fragmented and decentralized fields, problems between conflicting logics are not moderated by field-level actors, and therefore have to be addressed solely by the organisations themselves. Thus, the degree to which organisations experience multiple logics as challenging will depend on the specific organisational field in which they operate and on how the different institutional logics are filtered into organisations by field-level actors (Greenwood et al., 2011; Besharov and Smith, 2014).

However, the field-level factors identified by Greenwood et al. (2011) are not the only factors that constitute institutional complexity. Additionally,

[...] institutional logics pass through institutional fields and are then filtered by various attributes of organisation itself – in particular, the organisation’s *position* within a field, its *structure*, *ownership* and *governance*, and its *identity*. These attributes frame how organisations experience institutional complexity and how they perceive and construct the repertoire of responses available to them (Greenwood et al., 2011, p. 339, *emphasis in the original*).

These attributes<sup>1</sup> can make an organisation more sensitive to specific logics and less to others (Greenwood et al., 2011; Besharov and Smith, 2014), thereby influencing the way in which the institutional logics shape the formation of IONs and the development of IOMCs. For example, the relative power of various organisational actors can impact the degree to which different logics will be enacted within the organisation (Greenwood et al., 2011). As a result, it is doubtful that all organisations will respond in the same way to their context (Greenwood et al., 2010). For example, Amans et al. (2015) explain how the use of budgets differs among organisations which operate within the same organisational field, and thus are impacted by similar logics but, face different funding pressures. Further, they argue that attributes of organisation, especially ownership, cause differences in the use of budgets in organisations operating in the same organisational field.

It is important to take into account the attributes of the organisation when examining research findings because they can “act as filters which influence the way the multiple logics which characterize one organisational field are encompassed in organisations” (Amans et al., 2015, p. 52). This means, that organisations operating in the same field might react differently to the same institutional logics, which in turn shapes the ION formation process, the structure of the ION and the development and deployment of IOMCs. This implies a contextual rationality; more precisely different decisions are made by organisations experiencing/possessing different organisational attributes in the same organisational field. Moreover, this challenges DiMaggio and Powell (1983) concept of isomorphism in institutional fields. For example, the funding of

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<sup>1</sup> Amans et al. (2015) call the attributes of organisations “situational factors” (p.52). Carlsson-Wall et al. (2016) argue that “compatibility of logics may vary not just between fields and organisations, as the literature has emphasised, but also between situations within an organisation” (p.1), thereby claiming that the relationship between multiple logics is situation specific. Therefore, in order not to confuse different concepts of situation specific logics introduced by Amans et al. (2015) and Carlsson-Wall et al. (2016) the researcher uses the term introduced by Greenwood et al. (2011), i.e. attributes of organisation, to refer to the organisation’s position within a field, i.e., its structure, ownership governance, and identity.

an organisation, such as the case organisation, which has a multitude of funders and uncertainty over its funding, can be related to the ownership attribute (Amans et al., 2015). Thus, this organisational attribute is particularly relevant in respect of the (public) organisation studied. In the case of public organisations it is necessary to consider this attribute, or more precisely their funding position, as it can lead to differences in the way organisations experience and react to the pressures arising from institutional complexity (Amans et al., 2015). For instance, organisations funded by a country's workers (public ownership) might respond to, for example private sector logics, in a different way to organisations funded by private owners (private ownership) when forming IONs and designing IOMCs. This suggests that organisational attributes 'filter' the institutional logics which shape the micro-processes of the focal organisation examined by the researcher. More precisely, country specific factors, field-level factors and attributes of organisations have an impact on how the case organisation experiences institutional complexity, thereby how it forms its ION and designs its IOMCs<sup>1</sup>.

It can be argued that studies examining the operations of organisations facing institutional complexity, although focusing on multiple levels of analysis, such as the macro (societal), meso (field) and micro (organisational, and individuals within the organisations) levels, tend to ignore the inter-organisational collaboration context. Their interest is mainly on the intra-organisational responses to multiple logics (see e.g. Greenwood et al., 2011; Tracey et al., 2011; Jay, 2013; Pache and Santos, 2013b; Amans et al., 2015; Dai et al., 2016) and therefore they tend to disregard the impact of multiple logics on IORs and ION formation and the development of IOMCs. Understanding these processes is important for exploring the functioning of IONs and for comprehending how they operate in the context of institutional complexity. Furthermore, understanding the impact of institutional complexity on IOMCs

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<sup>1</sup> The specific factors and attributes will be teased out in later Chapters.

could help to resolve issues regarding their efficacy, which are argued to contribute to the failure of IORs and IONs; thereby responding to calls for studies which explore the dependencies between various IOMCs and their antecedents (Cuganesan and Lee, 2006). The following section introduces the analytical framework which will enable the researcher to explain the impact of the institutional realm on the IORs, ION and IOMCs of a hybrid organisation.

### **3.4. Proposed Analytical Framework**

The need to study IONs and IOMCs micro-processes in their wider institutional context has been highlighted and the argument of Langfield-Smith (2008) to use an interdisciplinary approach to examine the complexities of IORs, IONs and IOMCs has been emphasised in the above sections. Additionally, various justifications for adopting the institutional logics approach to explain the findings of the research conducted for the current thesis have been pointed out. For example, its potential to explain institutional dynamics behind the formation of an ION and the development and use of various management control practices deployed by organisations have been underscored.

Further, the institutional logics approach is argued to be a particularly relevant approach to study networks. Owen-Smith and Powell (2008) argue:

Logics make network meaningful features of social and economic worlds precisely by disciplining (though not determining) the formation and implications of relationships. The presence or absence of connections and the resources that flow through them, as well as the meanings that participants and observers attribute to relationships, depend upon prevailing logics. The same relationship or affiliation may exist under the auspices of multiple institutional logics, which provides leverage to elaborate the ways in which relationships carry the social into instrumental exchanges (p. 602-603)

Additionally, Owen-Smith and Powell (2008) claim that “networks reflect key micro-level interactions that influence institutional dynamics” (p.598) and “are shaped by social comparison process in which institutionalised categories are highly influential” (ibid, p.599). They also contend that “logics render networks and organisational structures sensible in particular fields [...]” (ibid, p. 605).

In a study which has some similarities with the research conducted for this thesis, Mineev (2012) deployed the institutional logics approach to explain the establishment of an ION and the development of IOMCs, as well as practice variations, in the context of a transitional economy, namely Russia. Although Mineev’s framework provided a starting point for the development of the analytical framework presented in this Chapter, the researcher identified some limitations of that framework. A critical evaluation of these limitations provided the researcher with the aforementioned starting point. The following section provides a critical review of Mineev’s (2012) approach.

#### 3.4.1. Critical Evaluation of Mineev’s (2012) Framework

Mineev’s study is the first and hitherto only management accounting study which has applied the institutional logics approach to inter-organisational network research. The analytical framework developed by Mineev (2012) combines “neo-institutional theory considerations with theory of management control practice and management control in networks” (p. 171). Mineev introduces the concept of micro-actors (Lounsbury, 2008) into his framework; they are defined as translating agents who are influenced by various institutional logics and who are likely to be exposed to practice variations because they find themselves in a context with

multiple sometimes even competing institutions<sup>1</sup>. Although Mineev (2012) does not directly refer to ANT in his framework he indirectly refers to the concept of translation (Latour, 1986, 1999) by defining actors as ‘translating agents’. Mineev explains that he is following Czarniawska who adopted the concept of translation into her work (see e.g. Czarniawska and Sevón, 1996; Czarniawska, 2008). Although, he argues that he merges “the perspective of Czarniawska (2008) and Lounsbury (2008)”, he does not make clear what he understands by ‘translation’ in his research.

Mineev’s uses the notion of competing old and new logics to understand changes in the studied network. A focus on competing institutional logics has also informed other research on institutional (logic) change (see also e.g. Thornton and Ocasio, 1999; Rao et al., 2003). It has been argued that, “the notion that the ascendance of a new logic results in the dismantling of the previously dominant logic because of their fundamental incompatibility” (Greenwood et al., 2011, p. 332) is dominant in studies focusing on institutional shifts. However,

[...] competing logics are not, by themselves, an explanation for change in institutional logics but an antecedent or a consequence. Moreover, competing logics can facilitate resistance to institutional change. [...] Additionally,] The causal mechanisms for institutional change reside not in competition per se, but on a combination of the effects of market selection pressures, power of institutional actors, and changes in the relative prevalence of societal-level institutional logics, which unfortunately in many studies is typically unspecified (Thornton and Ocasio, 2008, p. 117- 118).

This critique could also apply to Mineev (2012), who attempts to explain ION change through multiple competing logics. The current thesis does not focus on network change, but on the formation of the ION as a response to multiple (conflicting) demands placed on the organisation by various actors (stakeholders), whose behaviour is guided by different

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<sup>1</sup> Mineev refers to Lounsbury and Crumley’s (2007) definition of institutions as “forms of material interactions or behaviours that are made understandable and durable by their interpenetration with wider cultural rules [...]. This view is broadly constructed to encompass a wide variety of kinds of institutions such as practices, logics and organisational forms.” (p. 996).

institutional logics. As such, the researcher focuses on the formation of a network by an organisation, which is confronted by institutional complexity.

Moreover, the definition of institutional logics that Mineev (2012) adopted, namely the definition introduced by Thornton (2004)<sup>1</sup>, is incompatible with the institutional logics that he has identified. For example, he argues that one of the institutional logics is “Soviet industry background”. However, according to the definition he applies, the “Soviet industry background” is a source of logic, not the logic itself. Additionally, he does not explain what he understands by the “Soviet industry background”. Furthermore, as in many other studies on institutional logics, Mineev’s article does not tie his analysis back to the institutional orders of the inter-institutional system. This significantly simplifies the institutional logics approach. Also, “treating organisational field or industry as insulated from the values of other higher order institutions provides an incomplete picture” (Greenwood et al., 2010, p. 534). In order to overcome the above criticisms, the current study identifies and locates the field-level logics that are nested in the broader societal-level logics.

In addition, Mineev’s (2012) framework argues that focusing on management controls will enable us to expand our understanding of the behaviours of the various micro-actors. Therefore, he draws on the network management control concepts developed by Dekker (2004) and Mouritsen and Thrane (2006)<sup>2</sup>. The management controls established between network members can be classified into various groupings. Using Dekker’s (2004) approach, Mineev distinguishes between formal and informal management controls. He then argues that

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<sup>1</sup> Thornton (2004) stresses the historical contingency of institutional logics and defines them as “[t]he socially structured historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (p. 69).

<sup>2</sup> Mouritsen and Thrane’s (2006) study is grounded in ANT.

incorporating the idea of Mouritsen and Thrane (2006), “who showed that control practices play an important role in visualising network dilemmas in terms of conflict between individual and collective goals”, (Mineev, 2012, p. 173) provides an analytical basis for discussing practice variations. Mineev seems to focus on practice variation; however he does not explain how this expands our knowledge about management control practices in IONs. He claims that different members of the ION do things differently, but this raises the question of “so what?”. Mineev does not say a tremendous amount about how the ION remains in control, and how it is kept together despite these practice variations. The researcher wants to address this gap in the management accounting studies of IONs. Thus, the focus of the research conducted in the current thesis goes beyond practice variation. The researcher acknowledges that there will be practice variations because of, for example, the variety of forms that IORs take within an ION, such as minority interests, JVs and wholly-owned subsidiaries. However, the focus of this study is on how the focal, hybrid organisation forms its various IORs and ION under the conditions of institutional complexity, and how it develops and uses various IOMCs at the individual IOR- and ION-levels to maintain the ION. Additionally, it is examined how multiple logics are reflected in these various IOMCs to help the focal organisation to sustain its hybrid nature in the ION formed with non-hybrid organisations.

Although, the framework discussed above has provided a starting point for the analytical framework developed in the current thesis, the researcher does not directly use or build on this framework. However, the current thesis adopts a similar approach, which combines institutional logics with micro-processes. The following section presents the analytical framework developed by the researcher to explain the findings of the research conducted in the current thesis.

### 3.4.2. Analytical Framework Developed in the Current Thesis

Scapens (2004) argued that available theories can be refined if they lack capacity to explain findings of a case study. Following Scapens' (2004) suggestion, the researcher resists the temptation to privilege one particular theoretical perspective for explaining the findings of the case study presented in the current thesis. Consequently, the analytical framework guiding this research is not grounded in one 'grand' theory, but it has been developed by combining the institutional logics approach with the study of micro-processes (see e.g. Lounsbury and Crumley, 2007; Lounsbury, 2008; Lounsbury and Boxenbaum, 2013; McPherson and Sauder, 2013). Additionally, the researcher draws on theoretical concepts utilised in the ION's literature, such as dichotomies of formal/informal IOMCs (see e.g. Dekker, 2004) and ex-ante/ex-post IOMCs (see e.g. van der Meer-Kooistra and Vosselman, 2000, 2006; Vosselman and van der Meer-Kooistra, 2006, 2009; Neumann, 2010). The aforementioned theoretical concepts are used in conjunction with the 'whole network' perspective which enables the researcher to examine the implications of institutional complexity on the IOMCs deployed by a hybrid organisation in various inter-organisational settings, i.e., at different levels, such as the individual IOR-level and the ION-level. The use of these particular concepts and the network perspective in the study is important to address the research questions about the implications of institutional complexity for inter-organisational processes and practices of a hybrid organisation.

Scapens' (2004) suggestion provides support for the researcher's decision to deploy an analytical framework, instead of a grand theory, to explain the findings of the research presented in the current thesis. Furthermore, the institutional logics approach is argued to be not only a theory but also a "method of analysis for understanding *the influences of societal-level culture on the cognition and behaviour of individual and organisational actors*"

(Thornton et al., 2005, p. 127, emphasis added). Deploying such an approach to analyse the research evidence will enable the researcher to explain the impact of multiple institutional logics on the cognition and behaviour of various actors who are involved in the formation of the ION and the design of the IOMCs in the case company. Although Mineev (2012) adopts a similar approach in his study of an ION, as discussed in the previous section, his understanding of institutional logics is limited. Therefore, the analytical framework developed in the current thesis goes beyond what has been done by Mineev (2012). Nevertheless, it can be argued that the provenance of the framework can be linked to Mineev's (2012) study (as well as studies mentioned above; e.g. Dekker, 2004; Lounsbury and Crumley, 2007; Lounsbury, 2008; Neumann, 2010; Greenwood et al., 2011; Thornton et al., 2012; Lounsbury and Boxenbaum, 2013; and Meyer et al. (2014). More precisely, the research framework is based on the institutional logics approach which underscores the embeddedness of various levels of analysis (exogenous: societal-level (macro) and field-level (meso); endogenous: organisation and individuals (micro)) and the importance of understanding organisational and individual behaviour as nested in, and impacted by, the wider institutional context (Friedland and Alford, 1991; Thornton et al., 2012).

An institutional logics approach aims to articulate the link between the notion of broader institutional orders with issues of individual choices [...]. The concept of institutional logics is a way of understanding how actors' selections are conditioned by specific frames of reference that inform the sense-making, the vocabulary of motivation and the identities that actors bring to situations (Ezzamel et al., 2012, p. 284).

In other words, institutional logics “shape how organisations and individuals behave and thereby affect organisational structures and processes” (Lander et al., 2013, p. 131), such as the micro-processes of IORs and ION formation and their structure as well as the development and use of IOMCs. However, it is important to remember at this point that the institutional logics metatheory facilitates the explanation of agency. Thus, while developing an analytical

framework for the current study the researcher assumes that although institutional logics have an impact on the cognition and actions of actors, these actors can impact how logics are instantiated in the organisations. This means that the analytical framework developed in the current thesis locates individuals' and organisational behaviour in the institutional context, which regulates behaviour and, at the same time, provides an opportunity for agency. This allows the researcher to overcome the criticism directed at institutional analysis. That is studies grounded in institutional theory tend to underestimate the significance of interest and agency in the adoption of externally imposed practices (Cruz et al., 2009). Through the deployment of the institutional logics perspective to explain the findings of the research conducted in the current thesis, the analytical framework has the potential to elucidate the self-interest of the actors and their agency.

First, based on the review of a prior literature, the researcher developed a simple analytical framework, which was used as a heuristic device (see Figure 3.1.), to understand how multiple institutional logics, which are filtered through the organisational attributes of the case organisation (cf. Greenwood et al., 2010; 2011), and the agency of organisational actors (cf. Thornton et al., 2012) embodied in a public sector organisation (cf. Meyer et al., 2014), can affect the formation of the ION (cf. Mineev, 2012), and its IOMCs (cf. Kilfoyle, 2012; Dai et al. 2016). For example, Meyer et al. (2014) argue that the key institutional logics shaping the behaviour of public organisations are the legalistic-bureaucratic logic and the managerial logic, which are nested in the state and market logics respectively (see also e.g. Hammerschmid and Meyer, 2005; Meyer and Hammerschmid, 2006b; Christensen and Lægreid, 2011). However, these logics have been studied in developed Western countries, whereas the research conducted for the current thesis is located in a developing African country, and the institutional environments of developed and emerging economies tend to differ (Narooz and Child, 2016).

Moreover, the existence of multiple institutional logics is an empirical question and, therefore, it cannot be assumed, but must be empirically analysed and documented (cf. Amans et al., 2015; Carlsson-Wall et al., 2016). Therefore, the researcher does not assume that the logics identified by Meyer et al., (2014) shape the behaviour of the case organisation, but based on the empirical material, the researcher will tease out field-level logics, as well as the societal-level logics in which these field-level logics are nested, and shape the behaviour of public organisations operating in emerging economies. Additionally, as explained in the Literature Review Chapter, IONs operate at the intersection of institutional fields (Kilfoyle and Richardson, 2015). Therefore, other field-level logics, which are present at this intersection, are likely to shape the inter-organisational processes and the practices of the studied public organisation, and these will also be identified based on research evidence.

Further, the framework combines the strengths of the institutional logics approach with such IOMCs concepts as formal and informal IOMCs and ex-ante and ex-post IOMCs. As discussed in the Literature Review Chapter, two main ex-ante approaches have been identified, namely finding the “right” partner and safeguarding the IORs/IONs through a sound formal governance structure (Dekker, 2004; Neumann, 2010). Governance structures define contractual responsibilities and formal organisational mechanisms, which can be split conceptually into outcome and behavioural IOMCs, whereby outcome and behaviour is pre-specified and monitored ex-post (Ouchi, 1979). However, such formal structures can be complemented, or in some cases replaced, by informal IOMCs<sup>1</sup>. The framework facilitates an analysis of the empirical data and helps the researcher to understand how different logics are reflected in the development and use of the various IOMCs as a result of the divergent institutional demands

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<sup>1</sup> A discussion of IOMCs was provided in the Literature Review Chapter. In this Chapter the various concepts are just briefly mentioned to explain their role in the analytical framework.

exerted on the organisation by its stakeholders. This simple analytical framework is presented in Figure 3.1. However, the analytical framework presented in Figure 3.1 was revised after the data analysis and then, based on the analysis of research evidence, a more complex analytical framework was proposed (see Figure 3.2.). The framework illustrated in Figure 3.2 will facilitate the researcher's explanation of the findings of the case study presented later in the current thesis. This case study examines the impact of multiple institutional logics on the behaviour of micro-actors, such as the focal organisation and individuals in that organisation, i.e. purposeful organisational actors, such as trustees, managers and employees, and their influence on the formation of the ION, and its IOMCs.

Figure 3.1 Analytical Framework Used as a Heuristic Device

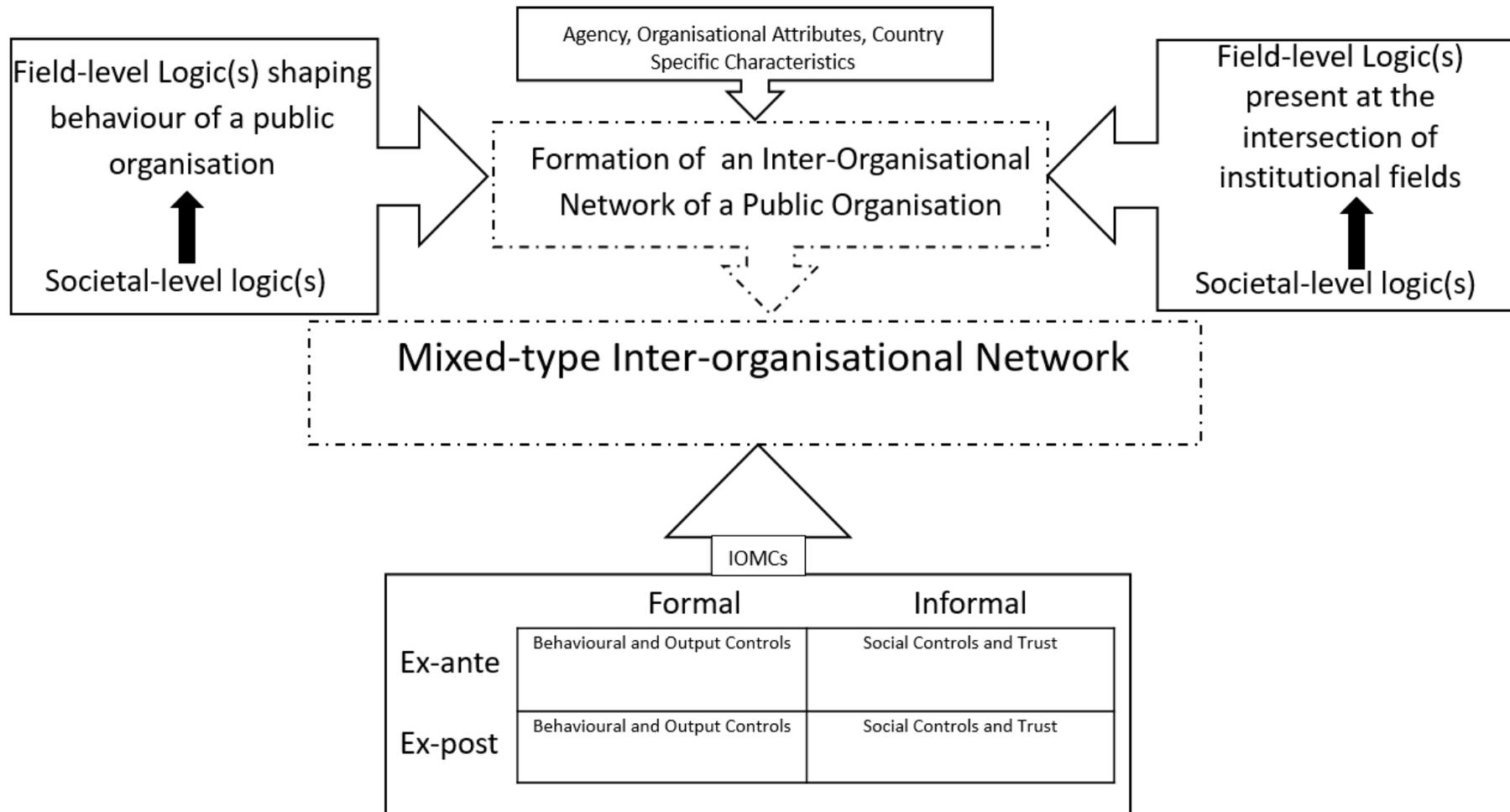


Figure 3.2 Revised Analytical Framework: Formation of an ION and Development of IOMCs by an Organisation Operating under Conditions of Institutional Complexity

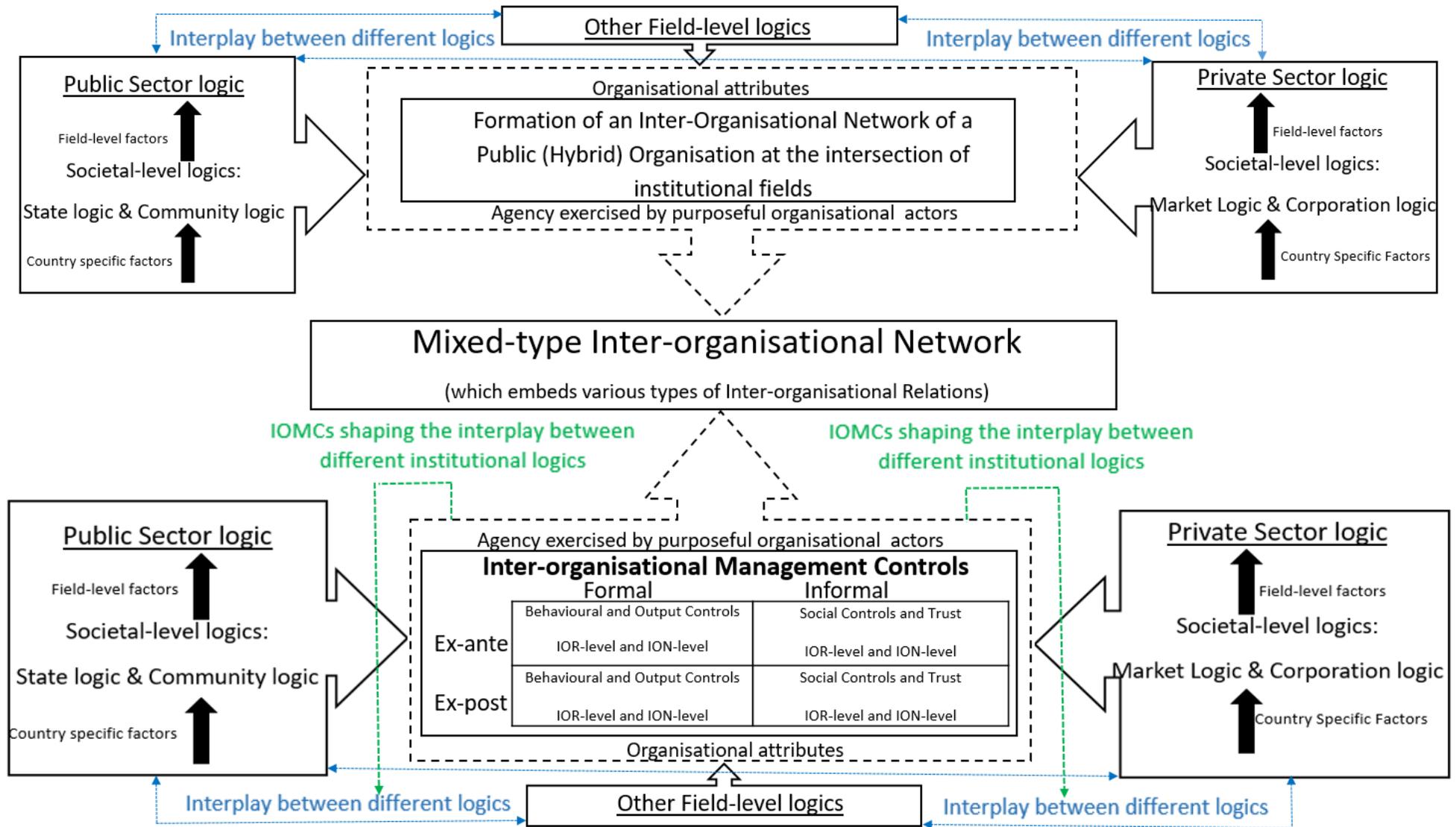


Figure 3.2 presents the revised analytical framework based on the analysis of the empirical material. Through the analysis of the documents, the discourses in the interviews and the notes made during observations the researcher identified the key logics and their impact on PenFund and its inter-organisational practices. The analysis of the collected data revealed four salient logics, namely the community, state, corporate and market logics, faced by PenFund and enacted by its actors. Some of the organising principles of these four societal-level logics merged into the field-level logics, specifically the public sector logic and the private sector logic<sup>1,2</sup>. As such, based on the empirical results of this study, the researcher added to the Figure 3.2 the field-level logics which shape the behaviour of public organisations operating in emerging economies.

Furthermore, as the ION operates at the intersection of institutional fields, other field-level logics, which are present at this intersection, shape its inter-organisational processes and practices. To be precise, the ION of the case organisation has been formed at the intersection of the pensions field, which is the primary field of PenFund's operations, and the real estate field in which PenFund's partners, as well as the IORs, operate. Thus, the logics extant in the pensions, as well as the real estate fields, shape the inter-organisational processes and practices of PenFund<sup>3</sup>. The interplay between these institutional logics shapes the formation of the ION which is composed of various IORs as well as the IOMCs deployed to maintain the ION and IORs embedded within it. In this way the ION's and the IORs' formation processes and IOMCs can be defined as hybrids, as they simultaneously reflect various logics.

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<sup>1</sup> As such, the public sector and private sector logics comprise a constellation of the organising principles of broader societal-level logics which are influenced by the country specific factors. The state and community logics constitute the public sector logic, whereas the market and corporate logics constitute the private sector logic.

<sup>2</sup> For more information see section "The Public Sector Logic and the Private Sector Logic – An Outline" in Chapter five (p. 172-176).

<sup>3</sup> However, the investigation of societal-level logics in which the real estate logics are nested is outside the scope of this study.

Additionally, the extent to which various institutional logics are embodied within organisations, which operate under conditions of institutional complexity, depends on the cognition and behaviours of the organisational actors working at various levels within the organisations. Further, organisational actors can exercise agency while enacting the multiple institutional logics through the management control mechanisms in the inter-organisational collaborations. In this way the framework indicates that the IOMCs deployed at the IOR-level and ION-level are shaped by the same logics, but the different IOMCs reflect these logics in different ways and to different extents, and they are enacted in different ways (cf. Mineev, 2012). Moreover, the research findings reveal that the IOMCs can play the role of ‘an actor’ (cf. Mouritsen and Thrane, 2006), as they can exercise an active role in influencing the interplay between various logics<sup>1</sup>.

Finally, although it has been acknowledged in the literature that there are interdependencies between IONs and their institutional environment (Powell et al., 2005; Owen-Smith and Powell, 2008; Mineev, 2012), these interdependencies remain under-theorised (Narooz and Child, 2016). The analytical framework proposed in this thesis helps to theorise the complex relationship between the institutional environment of hybrid organisations and their IONs formed at the intersection of various institutional fields. In addition, the argument regarding the implications of multiple institutional logics for the formation of IORs, ION and IOMCs, which is presented in this framework, underscores the importance of studying inter-organisational collaborations in a broader institutional context and points to the relevance of institutional analysis in the literature on IORs, IONs, and IOMCs.

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<sup>1</sup> For more details see section “The ION Performance Measurement System” in Chapter seven (p. 284-287).

### **3.5. Summary**

In summary, it was explained in this Chapter that researchers employing institutional analysis have given only scant attention to micro-processes and micro-actors (see e.g. Lounsbury and Crumley, 2007; Lounsbury, 2008) and research on organisational practices, e.g. management accounting research in the inter-organisational context, has given only limited attention to institutional dynamics. Thus, there is a need for a research that takes broader institutions into account while examining IORs, IONs and management accounting practices in the inter-organisational setting. The current study examines the formation of an ION of a focal organisation and the IOMCs deployed within it, drawing on the institutional logics approach and inter-organisational management control concepts. This Chapter has presented the analytical approach adopted in the current thesis. In her framework, the researcher synthesises recent developments from various literatures, namely the management controls in IONs literature and the institutional logics literature. The literature on management controls in networks was reviewed in the Literature Review Chapter and the concepts discussed in that Chapter were incorporated into the framework, while this Chapter has focused on the institutional literature in order to identify the concepts relevant for the analytical framework.

Research applying the institutional logics approach has become one of the fastest developing intellectual domains in organisational analysis (Lounsbury and Boxenbaum, 2013). However, management accountants seem to be slow in incorporating the institutional logics approach into their research – only a few management accounting studies published in accounting journals have applied the institutional logics approach to study the particularities of the management controls deployed in the intra-organisational context (see e.g. Ezzamel et al., 2012; Lander et al., 2013; Amans et al., 2015; Carlsson-Wall et al., 2016; Dai et al., 2016). What is more, only one management accounting study, namely Mineev's (2012), has deployed

the institutional logics approach in the inter-organisational context. As the understanding of institutional logics presented in Mineev's study is very limited, the framework developed for the current thesis draws on relevant ideas from diverse literatures, which have applied the institutional logics approach (e.g. Thornton et al., 2005; Meyer and Hammerschmid, 2006b; Lounsbury and Crumley, 2007; Miller et al., 2008; Battilana and Lee, 2014; Meyer et al., 2014; Dai et al., 2016), rather than relying solely on ideas developed in the management accounting studies which have deployed the institutional logics approach. Therefore, this research will contribute to our knowledge, not only about IONs and IOMCs, but also about institutional logics in the inter-organisational context.

The theoretical approach developed in this Chapter is embedded in the methodology guiding the research conducted in the current thesis. This methodology is discussed in the following Chapter.

## CHAPTER FOUR: METHODOLOGY

### 4.1. Introduction

In the previous Chapter, amongst others, the analytical framework deployed in this thesis was explained. This framework is based on the institutional logics approach which represents a “non-functionalist conception of society” (Friedland and Alford, 1991, p. 240). By deploying this theoretical approach, the researcher expresses her beliefs regarding the nature of society, as well as her view of the world (social construction). It is argued that management accounting researchers ought to think through their values and beliefs, not only regarding the aforementioned nature of society, but also regarding social science<sup>1</sup>, before commencing their research (Hopper and Powell, 1985; Ryan et al., 2002). By explaining philosophical underpinnings of this thesis, the researcher’s values and beliefs are presented in the current Chapter. These philosophical views are inextricably linked with the way in which the researcher posed the research questions (Grix, 2010; Saunders et al., 2011).

Before turning to these research questions, this Chapter will discuss the research strategy, design and methods<sup>2</sup>, which reflect the philosophical stance of the researcher. In this way, the Chapter discusses the methodology<sup>3</sup> of this study. In summary, the choice of research methodology is determined by the philosophical underpinnings of the research, while the deployed research strategy, design and methods are shaped by the methodology (Chua, 1986).

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<sup>1</sup> In the social sciences phenomena are socially constructed and behaviour can vary in different locations, time or national and organisational cultures (Berry and Otley, 2004). This must be taken into consideration when deciding on the research strategy, design and methods.

<sup>2</sup> It has to be noted that research methods, which are techniques deployed in the research process to gather and analyse research evidence (Ryan et al., 2002; Moll et al., 2006b), are different from methodology. Nevertheless, research methods with their implicit ontology, epistemology and views about human nature (philosophical assumptions) can be thought of as a research methodology.

<sup>3</sup> The methodology represents a choice of a general approach to the investigated phenomenon (Silverman, 2000, 2001; Ahrens and Chapman, 2006), which includes research strategy, design and methods (Grix, 2010), that reflects its philosophical underpinnings (Ryan et al., 2002).

This Chapter is divided into seven sections. The next section (4.2) discusses the philosophical stance of the researcher. The relevance of the qualitative research strategy to address the research questions is also discussed in that section. This is followed by an explanation of the research design and the methods used to collect the research evidence (section 4.3). Subsequently, the data collection process is described (section 4.4). In that section the researcher also describes ethical considerations, preparation for the field work and how access to the case organisation was obtained. Next, the research methods deployed to collect research evidence, as well as how they were used to introduce data triangulation, is explained (section 4.5). The subsequent section (4.6) presents the data analysis process. Finally, a summary of the Chapter is provided in the last section (4.7).

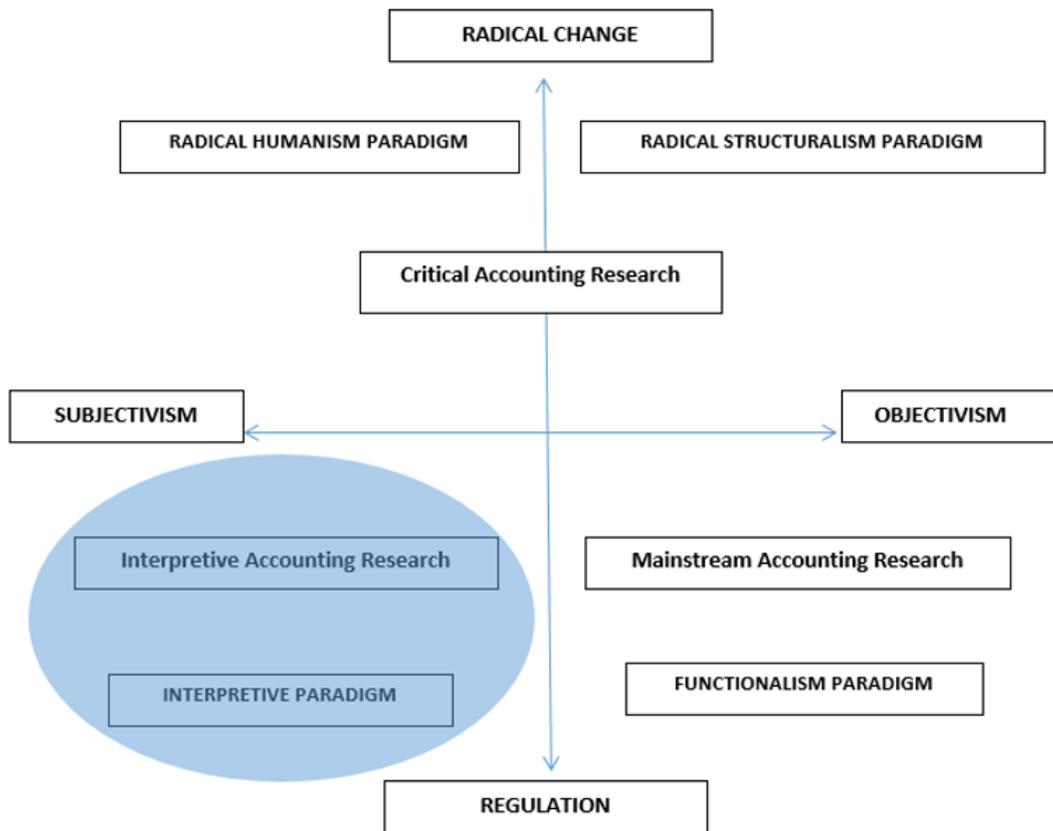
## **4.2. Taxonomy of Accounting Research and Philosophical Assumptions of the Thesis**

Drawing on Burrell and Morgan's (1979) taxonomy of organisational research, Hopper and Powell (1985) developed a taxonomy of accounting research which was then adopted by Ryan et al. (2002) (see Figure 4.1). The researcher relies upon this taxonomy to locate her study in one of the paradigms<sup>1</sup> of accounting research (marked with a blue circle in Figure 4.1). In this way, the taxonomy facilitates the explanation of the philosophical assumptions of the current thesis.

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<sup>1</sup> The research paradigm can be explained as “[t]he progress of scientific practice based on *people's philosophies and assumptions about the world and the nature of knowledge*” (Hussey and Hussey, 1997, p. 47, emphasis added), and therefore the terms ‘research paradigm’ and philosophical assumptions’ can be used interchangeably. A research paradigm sets out a framework for the research which identifies relevant theories, strategies and methods to be used to guide the research process.

Figure 4.1 Taxonomy of Accounting Research



Source: Ryan et al. (2002, p. 40)

The taxonomy is presented in the form of a two dimensional matrix. First dimension, on the vertical axis, shows the range of approaches regarding the structure of society (radical change-regulation continuum). On the one extreme of the continuum, researchers are interested in “regulation and the creation of order in society”<sup>1</sup>, while on the other extreme they are concerned with conflicts and opportunities of a ‘radical change’ in society (Ryan et al., 2002, p. 40). The other dimension on the horizontal axis, represents the assumptions regarding social science (subjective-objective continuum). However, the taxonomy presented in Figure 4.1 simplifies

<sup>1</sup> The theoretical approach adopted in the current study explains the creation of a society as an inter-institutional order.

the discussion, because philosophical dimensions, such as ontology<sup>1</sup>, epistemology<sup>2</sup>, and assumptions concerning human nature<sup>3</sup>, which all have implications for methodology<sup>4</sup> (Chua, 1986), are collapsed into this subjective-objective continuum (Hopper and Powell, 1985; Ryan et al., 2002). This is illustrated in Figure 4.2.

Putting together these two continua gives rise to four research paradigms, namely functionalism, interpretative, radical structuralism and radical humanist (Burrell and Morgan, 1979). Hopper and Powell (1985) linked these research paradigms to three different types of accounting research. The radical humanism and radical structuralism paradigms are reflected in critical accounting research, the functionalism paradigm corresponds to the mainstream accounting research, while the interpretive paradigm is reflected in interpretive accounting studies. To provide a general overview of the philosophical stance behind various types of accounting studies, Table 4.1 juxtaposes some of the key assumptions<sup>5</sup> of these studies. The study conducted for the purpose of this thesis is located in the interpretive paradigm, and therefore can be considered as interpretative accounting research<sup>6</sup>, the general assumptions of which are presented in the middle column of Table 4.1.

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<sup>1</sup> Ontology concerns the assumptions about the nature of the reality of the examined phenomenon (Ryan et al., 2002; Saunders et al., 2009).

<sup>2</sup> Epistemology is concerned with how knowledge can be acquired (Ryan et al., 2002) and what indicates what counts as a truth by specifying the criteria and process for assessing truth claims (methods of acquiring the knowledge).

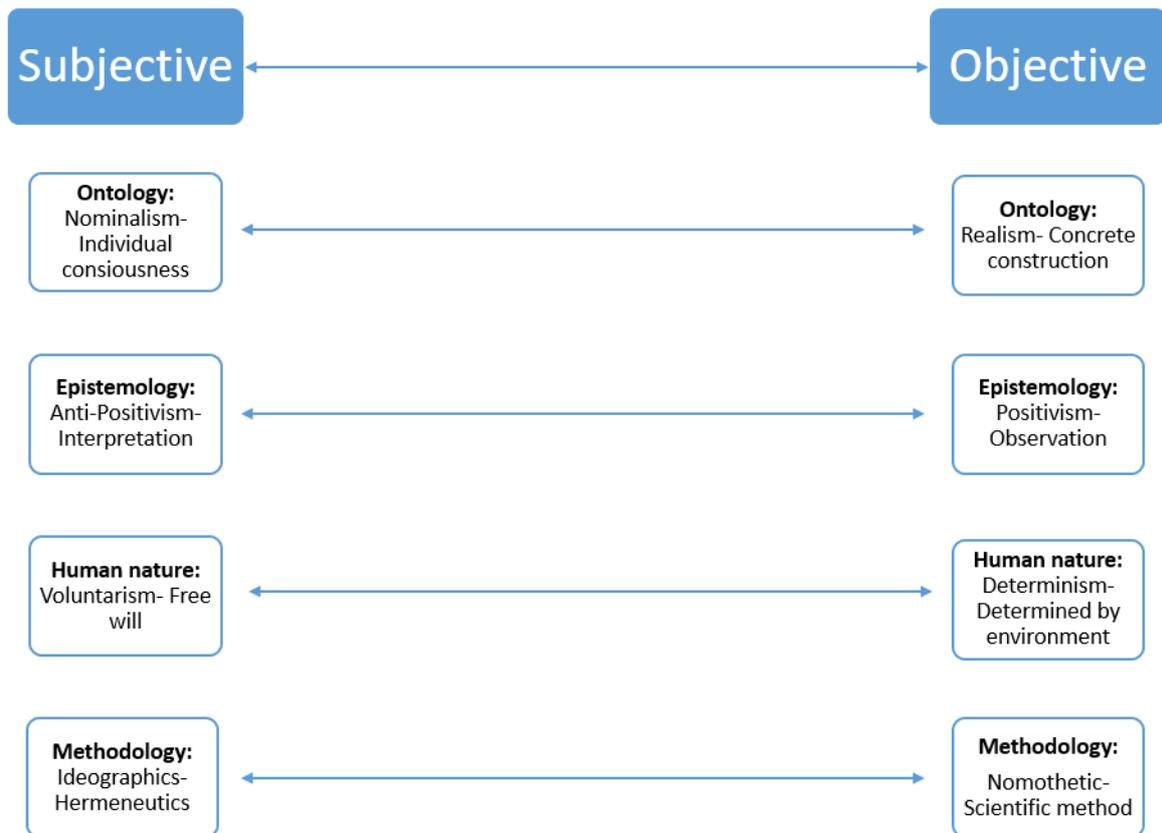
<sup>3</sup> Human nature concerns the behaviour and action of individuals.

<sup>4</sup> As explained earlier in the Chapter, methodology specifies the research methods for gathering data. What is the most appropriate research method depends on how 'truth' is defined; therefore specific methodological assumptions are derived from particular epistemological and ontological assumptions.

<sup>5</sup> These key assumptions include ontological, epistemological and methodological assumptions, as well as some comments about the relationship between accounting theory and practice (Chua, 1986; Ryan et al., 2002).

<sup>6</sup> Due to the word limit imposed on the current thesis, the researcher will not explain the philosophical assumptions underpinning different types of accounting research in detail. For a broader discussion on the philosophical assumptions of the various types of accounting research see e.g. Chua (1986) and Ryan et al. (2002).

Figure 4.2 Four Dimensions of the Subjective-Objective Continuum



Adapted from: Ryan et al. (2002, p. 39) and Burrell and Morgan (1979, p. 3)

Table 4.1 Key Assumptions of Different Types of Accounting Research

Key assumptions	Critical Accounting Research	Interpretive Accounting Research	Mainstream Accounting Research
<b>Beliefs about Knowledge</b>	Criteria for judging theories are always temporal and context bound. Social objects can only be understood through a study of their historical development and change within the totality of relations.	Theory is used to provide explanations of human intentions. Its adequacy is assessed via logical consistency, subjective interpretations, and agreement with the actors' common-sense interpretations.	Theory and observation are independent of each other, and quantitative methods of data collection are favoured to provide a basis for generalisation
<b>Beliefs about Physical and Social Reality</b>	Empirical reality is characterised by objective, real relations, but is transformed and reproduced through subjective interpretation. Human intention and rationality are accepted, but have to be critically analysed because human potential is alienated through false consciousness and ideology. Fundamental conflict is endemic in society because of social injustice.	Reality is socially created and objectified through human interaction. Human action is intentional and has meaning grounded in the social and historical context. Social order is assumed and conflict mediated through shared meanings.	Empirical reality is objective and external to the subject (and the researcher). Human actors are essentially passive objects, who rationally pursue their assumed goals. Society and organisations are basically stable, and dysfunctional behaviour can be managed through the design of control systems
<b>Relationship between accounting theory and practice</b>	Theory has a critical imperative; in particular the identification and removal of domination and ideological practices.	Accounting theory seeks to explain action and to understand how social order is produced and reproduced.	Accounting is concerned with means, not ends – it is value neutral, and existing institutional structures are taken for granted.

Source: Ryan et al. (2002, p. 41-43)

#### 4.2.1. Philosophical Assumptions of the Thesis

As presented in Figure 4.1, accounting is a multi-paradigmatic discipline (see also Vollmer, 2009; Lukka, 2010). Nevertheless, functionalism is dominant in accounting studies (Lukka, 2010; Malmi, 2010; Merchant, 2010). This has caused increasing homogeneity of accounting research (Lukka and Mouritsen, 2002; Hopwood, 2007, 2008; Lukka, 2010) and has led to non-discussable areas, i.e., gaps in the accounting literature. Many of the unanswered research questions are beyond the scope of theories and methods accepted in functionalist mainstream accounting research. For example, questions regarding the impact of the institutional environment on the formation of IORs and the ION, and the design of IOMCs, are beyond the scope of the functionalist theories that focus on the dyadic relations. As such, to address the research questions which were set out in the Introduction Chapter, an interpretative accounting study<sup>1</sup> is undertaken.

Many inter-organisational studies have adopted the functionalist approach (see e.g. van der Meer-Kooistra and Vosselman, 2000; Dekker, 2004; Dekker, 2008), and others have taken the critical approach (see e.g. Coad and Glyptis, 2014). However, these approaches are not appropriate for this study as the concern of this thesis is to understand the social nature of inter-organisational processes and practices and thus the interpretive approach is more appropriate for the study (Ryan et al., 2002). For example, Chua (1986) explained that interpretative accounting research provides an opportunity for understanding accounting in its social context (e.g., institutional environment<sup>2</sup>). Additionally, Chua claimed that, because the interpretative

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<sup>1</sup> Chua (1986) explained that “[in] essence, the interpretative scientist seeks to make sense of human actions by fitting them into a purposeful set of individual aims and a social structure of meanings” (p. 614). The researcher identifies herself as an “interpretive scientist” as she seeks to make sense of the actions undertaken by PenFund’s organisational actors in the processes of IORs and ION formation and in the development of various IOMCs by fitting these actions into the set of actors’ individual aims and the social structure of meanings provided by the theoretical concepts (institutional logics).

<sup>2</sup> Contrary to the mainstream accounting research, it does not take institutions for granted.

approach places emphasis on actors' explanations of the studied phenomena and how these phenomena are embedded in the broader institutional environment, the interpretive approach offers a way to research accounting in action. More precisely, it emphasises the everyday organisational practices (micro-processes<sup>1</sup>) in their real life setting, and since the aim of this study is to provide a deep understanding of how IORs, IONs and IOMCs are thought of, understood, designed and used by management and other employee of PenFund, the interpretative approach seems to be the most appropriate (cf. Macintosh and Quattrone, 2010).

Furthermore, the interpretative approach offers a richer understanding of accounting processes and practices because it focuses on how accounting is socially constructed (Hopper and Powell, 1985). The aim of this thesis is to gain in-depth understanding of the changing institutional environment and its impact on the formation of IORs and the ION and the development of the IOMCs of the case organisation. It is assumed in this thesis that the changes in the institutional environment, the IORs and the ION and IOMCs are socially constructed and can thus be understood by investigating the subjective interpretations provided by various organisational actors (Hopwood, 1987; Ryan et al., 2002; Hopwood, 2008). This is because the researcher believes that the various organisational actors socially construct their inter-organisational and accounting realities. Thus, (social) practices, including IORs, IONs and IOMCs, can be thought of as being socially generated. This is in line with the assumptions of the interpretive paradigm, namely, that reality is constructed through interactions between individuals. As such, ontologically the researcher takes a social-constructionist approach<sup>2</sup>. In agreement with this ontological stance, the study is underpinned by the anti-positivistic epistemology. The researcher believes that the knowledge about the IORs and ION formation processes and the

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<sup>1</sup> For the definition of micro-processes see the previous Chapter.

<sup>2</sup> The researcher does not take extreme positions on either of the continua presented in Figure 4.1. The researcher identifies herself with a more moderate position. For more details, see the recent paradigm debate in accounting research (see e.g. Ahrens, 2008; Ahrens et al., 2008; Kakkuri-Knuutila et al., 2008a, b; Scapens, 2008).

development and use of IOMCs can be gained by examining the (subjective) understanding of these processes and practices from the perspective of the individual organisational actors involved in them. Additionally, the researcher believes that humans have free will and are capable of influencing their environment. These beliefs and values of the researcher led her to adopt the hermeneutics methodology<sup>1</sup> which “seeks to interpret the subjective experiences of individual social actors” (Ryan et al., 2002, p. 40). In the next section, the research strategy, which is in line with the philosophical assumptions of the thesis and which will enable the researcher to answer the research questions will be described.

However, before moving to discuss this strategy, the issue of the validation in interpretive management accounting studies must be addressed. This is because, although the key feature of an interpretive study is to provide “thick explanations” of the examined phenomenon, these explanations must be validated, i.e., interpretive management accounting studies as any other scholarly research must be validated to become relevant (Zimmerman, 2001; Ittner and Larcker, 2002; Luft and Shields, 2002; Scapens, 2008; Lukka and Modell, 2010). Lukka and Modell, (2010, p. 463) argue that “validation refers to the ways through which the credibility of a piece of research is developed and legitimised in front of relevant audiences” and thus it can be defined as “an issue of convincing readers of *the authenticity of research findings* whilst simultaneously ensuring that *explanations are deemed plausible*” (ibid, p. 462, *emphasis added*). In order to avoid the criticism frequently faced by interpretive management accounting studies (see e.g. Zimmerman, 2001), referred to as a “crisis of validity”<sup>2</sup> (Lukka and Modell, 2010), the researcher addresses the issue of the validity of her study by (1) penetrating deeply

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<sup>1</sup> As explained earlier in this Chapter, the philosophical stance of the researcher guides the choice of methodology (Burrell and Morgan, 1979) which “is concerned with a process of doing research” (Ryan et al., 2002, p. 36).

<sup>2</sup> “Crisis of validity” in interpretive research has stressed the importance of the relationship between researcher and the audience rather than focusing on purely technical validity issues such as the reduction of bias in the process of collecting and analysing the research evidence (Baxter and Chua, 2008; Lukka and Modell, 2010).

into the field and thereby making sure that the emic qualities<sup>1</sup> of the research accounts are preserved (authenticity) while simultaneously (2) incorporating an etic element<sup>2</sup> into her study through applying the institutional logics approach in conjunction with the whole network perspective and various inter-organisational concepts found in the literature to explain research findings<sup>3</sup> and thereby ensuring that the results are plausible. Despite the incorporation of the etic element, these explanations can be still defined as “thick” because they are formed on the basis of “profound emic understandings” (Lukka and Modell, 2010, p. 463) of research participants. Moreover, assuring the audience of the authenticity of research findings and advancing plausible explanations are interdependent. This is because alternative explanations of the research phenomenon are provided to enhance authenticity which is also a first step to generating plausible explanations; whereas analytical tools in the form of theories are used to crystallise the explanatory aspect of interpretive research, thereby further enhancing the plausibility of the explanations. As such, the researcher collected the research evidence, amongst others, by interviewing and observing people working in various organisations at various levels thereby avoiding privileging those with power to speak and giving voice to “others” (cf. Quattrone, 2006), for example, talking to former staff of PenFund. Such an approach allowed an emic understandings of the studied phenomena to be developed. In this way, the researcher was able to provide explanations of the ‘others’, and in particular, non-

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<sup>1</sup> To provide relevant findings in an interpretive management study requires “an emic perspective” which allows for probing into the embedded social context of the research phenomenon (Kakkuri-Knuutila et al., 2008b).

<sup>2</sup> The incorporation of an etic element has been argued to be an important advancement in interpretive management accounting research which stresses the importance of theory as a guide that allows a researcher to make sense of and to seek explanatory patterns in the masses of raw data collected in such a research (Ahrens & Chapman, 2006; Elharidy et al., 2008).

<sup>3</sup> This is because plausibility is inextricably “linked to the process of abductive reasoning, whereby various theories are applied to advance thick explanations” (Lukka and Modell, 2010). More, precisely, abductive reasoning is different from the deductive and inductive reasoning commonly used in management accounting research. Although abductive and inductive reasoning start from empirical observation, abduction provides theoretical explanations with the assistance of everything that is currently known, both theoretically and empirically, about the phenomenon being studied. For example, in the current study the research relies on concepts previously developed in IORs, IONs, IOMCs as well as the institutional logics literature to make sense of the lived experiences of the research participants and thereby providing theoretical explanations of the studied phenomena.

managerial interest groups who tend to be under-represented in the IOMCs literature dominated by functionalist approach (cf. Kraus and Lind, 2007; Mahama and Chua, 2016). Simultaneously, the researcher applies abductive reasoning to crystallise multiple understandings. Careful explanation of various properties and boundaries of the empirical phenomena under investigation enabled the researcher to provide theoretically informed and hence also plausible explanations. The plausibility of these explanations was verified by tracing the conditions for specific explanations, for example, tracing the necessary conditions for using the concept of ‘agency’ to explain the findings, without sacrificing the richness of meanings. In this way validation of the thick explanations provided in the current study is an ongoing process. Additionally, the presumption of rationality embedded in functionalist theories of IOMCs has been questioned, as a way of emancipating the researcher’s understanding of IOMCs, whilst preserving the integrity and complexity of the investigated phenomena (Covalevski and Dirsmith, 1986). As such, the researcher has validated her study in a way similar to that of Covalevski and Dirsmith (1986). An important part of validation is to separate the first stage of coding, which entails an analysis of empirical data from the second stage of coding which is based on theoretical interpretations, i.e. conceptual coding<sup>1</sup>. Such interpretations included contrasting different explanations of various roles played by IOMCs at the IORs and ION-levels informed by theory. As such, it can be argued that to provide a narrative that is authentic and at the same time plausible the researcher continuously, critically questions her explanations thereby ensuring a balance between the emic and the etic perspective in her interpretive management accounting study.

There follows a discussion of the research strategy deployed in the current study which is underpinned by the philosophical stance of the researcher.

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<sup>1</sup> For more details see section 4.6. “Research Evidence Coding and Analysis” (p. 153-158).

### 4.3. Strategy and Design of the Research

Two distinctive methodological research strategies<sup>1</sup>, such as qualitative and quantitative, have been distinguished in the literature (Bryman, 2012; Creswell, 2012). The qualitative and quantitative strategies are rooted in different philosophical assumptions<sup>2</sup>, and therefore there are some fundamental differences between them which are juxtaposed in Table 4.2.

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<sup>1</sup> In order to simplify the methodological discussion, scholars claim that methodology can be described either as qualitative or quantitative (Silverman, 1993, 2000, 2001; Bryman and Teevan, 2005). However, the researcher believes that methodological discussion cannot be simplified to the qualitative-quantitative debate because methodology is an umbrella term that embrace the entire process of conducting the research with its philosophical underpinnings; therefore it contains both ontological and epistemological dimensions as well as assumptions about human nature (Ryan et al., 2002). However, 'qualitative' and 'quantitative' research can be thought of as "general orientations to the conduct of social research" (Bryman and Teevan, 2005, p. 15). Thus, the researcher conceptualised them as 'methodological research strategies'.

<sup>2</sup> The qualitative strategy is associated with the subjective approach, whereas the quantitative strategy reflects a more objective approach.

Table 4.2 Characteristics of Quantitative and Qualitative Research Strategies

Characteristic	Qualitative	Quantitative
Philosophical underpinnings	Subjective	Objective
Values	Value-laden, researcher aware of own biases and strives to capture subjective reality of participants.  Researcher interacts with participants.  It is hypothesis generating – emerges from observation.	Value-free, researcher assumes an unbiased stance; safeguards are used to maintain objectivity. Researcher is independent from subjects.  It is hypothesis testing- stated in advance
Approach to theory	Inductive (themes emergent from data- what is important is not predetermined by the researcher but evolves from the perspective of participants )	Deductive (theories and hypothesis tested in cause and effect order)
Goals of investigation	Understanding, Discovery, Description  Uses participants own words and action to understand how people make sense of their experiences.  Not looking for generalisation	Prediction, Control, Confirmation, Verification
Design	Flexible, dynamic	Predetermined, structured
Sample	Purposive, non-random, small (few cases or a case)	Random, large,
Setting	Real world, natural, familiar – governed by the topic being addressed	Large, random, unfamiliar
Timescale	Prolonged field work (months or years)	Short, typically lasts some hours or possibly days
Data Collection	Researcher is primary instrument for data collection.  Little standardised instrumentation  Tools: observation, interviews, documents, pictures, videos etc.	Researcher gathers data via intermediary instruments like: scales, tests, surveys, questionnaires etc.
Data Analysis	Descriptive- Interpretative  Unit of analysis- words	Measureable statistical methods  Unit of analysis- numbers
Findings	Comprehensive, holistic, words	Precise, narrow, numerical
Strengths	Validity – closeness to truth  Should touch the core of what is going on rather than skim the surface	Reliability- repeatability, same measurements yield the same results time after time
Weaknesses	Difficult to replicate findings	Removed from real world

(see e.g. Hussey and Hussey, 1997; Bryman, 2012)

#### 4.3.1. Qualitative Strategy

In accordance with the philosophical assumptions of the current thesis and aims of the study, a qualitative strategy is adopted. With regards to the philosophical assumptions, it enables the researcher to “explore aspects of social order that are not objectively real but are instead subjectively created through the interaction of actors”, such as research participants (Ahrens and Chapman, 2006, p. 823). This approach provides an opportunity to examine how PenFund’s organisational actors and other interviewees build their reality, and more precisely how the IORs, IONs and IOMCs are shaped and then re-shaped by different actors in PenFund. In this way, the qualitative strategy stresses the social construction of the phenomena under investigation, namely IORs, IONs and IOMCs.

The research questions lead the researcher to focus on the organisational micro-processes, such as the formation of IORs and the ION and the development of IOMCs. In addition, the research relies on an analytical framework derived from the institutional logics approach (Friedland and Alford, 1991; Thornton, 2004; Thornton et al., 2012). In this way the researcher links micro-level processes and practices with macro-level logics. Taking into account that qualitative studies “aim to provide a richer understanding of *process and social realities*” (Moll et al., 2006b, p. 376, emphasis added) and that the majority of studies deploying the institutional logics approach (especially accounting) resort to a qualitative strategy (see e.g. Amans et al., 2015; Carlsson-Wall et al., 2016; Dai et al., 2016), which is considered particularly appropriate (Moll et al., 2006a), a qualitative strategy is deemed to be appropriate to answer the research questions addressed in this thesis.

Furthermore, the current study deploys a qualitative strategy because a quantitative strategy has limited capacity to explain non-numerical results (Saunders et al., 2011; Bryman, 2012).

Part of the overarching aim of current study is to understand the relationships between the various actors involved in the IORs and IONs, particularly the relationships between PenFund and its partner organisations. As such, the results of the study cannot be presented numerically. The qualitative strategy, however, has the potential to explain interactions between individual actors and between organisations and how these interactions impact their relationships (Bryman, 2012). As such, the qualitative strategy is more appropriate for this research.

In addition, it was suggested by Alawattage et al. (2007) that a qualitative strategy is particularly useful in the context of developing countries, where management accounting issues “are neither well understood nor articulated in prior literature, cultural and governance issues predominate, oral rather than written cultures preside, and there is a desire to identify problems bottom up paying respect to the meanings and understandings of local participants” (p. 184). For example, van Triest and Fathy Elshahat (2007) reported that they had to alter quantitative strategy that they had intended to deploy in their management accounting study in a developing country because the large-scale postal survey yielded no responses. In order to obtain some replies they had to collect their questionnaires in person. Moreover, the survey had to be complemented with qualitative research methods, such as interviews, because potential participants were not familiar with the language used in the survey. Additionally, Triest and Elshahat (2007) explained that although a quantitative strategy might work in the developed countries, in developing countries ‘personal contacts’ need to be incorporated into the research strategy. Since, the current study is conducted in a developing country a qualitative strategy is deemed to be a ‘sensible’ choice (Alawattage et al., 2007).

The adoption of a qualitative strategy, which focuses on the ‘real world’ setting, made it possible for the researcher to get close to the studied phenomena, and thus “enabling inductive

and rich description” (Halinen and Törnroos, 2005, p. 1286). The researcher was able to interact with various organisational actors and be part of the day-to-day organisational activities. This enabled the researcher to gain a rich understanding of how IORs and ION are developed by the actors in response to the changing institutional environment and how these changes are reflected in the IOMCs designed by organisational actors. Additionally, a qualitative strategy enabled the researcher to unearth some issues which were not initially incorporated in the research questions, such as changes outside the immediate institutional field and how they linked with the development of IORs, ION and IOMCs. The researcher was able to examine the immediate institutional field and broader context because, a qualitative strategy enables the researcher to understand the context in which research evidence is collected (Sutton, 1993). This thesis is concerned with the impact of the institutional environment of an organisation in the specific context of a developing country on the formation of IORs and ION and the development of IOMCs. As such, this strategy facilitates the achievement of the overarching research aim, which is to understand the relationship between IORs, IONs, IOMCs and the changing institutional environment.

Finally, it has been suggested that a qualitative strategy deploying a *field-based* design<sup>1</sup> can benefit a researcher whose aim is to understand the context in which various organisational decisions are made (Tomkins and Groves, 1983; Ferreira and Merchant, 1992). This is because such an approach, through gaining understanding of how practicing managers see and interpret their reality, allows the researcher to focus on the issues that are faced by managers in the real world (Eisenhardt, 1989b; Eisenhardt and Graebner, 2007). Further, Ryan et al. (2002) suggested that a qualitative research design, such as a case study embedded in the interpretive

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<sup>1</sup> In management accounting research the terms ‘field-based’ and ‘case study’ are used interchangeably (Ferreira and Merchant, 1992).

paradigm, provides an opportunity to comprehend “the nature of accounting in practice; both in terms of the techniques, procedures, systems, etc. which are used and the way in which they are used.” (p. 143). For example, the case study can be used to examine the determinants, such as institutional logics, of extant accounting practices, and investigate the application of new (emerging) accounting practices, such as IOMCs (Ryan et al., 2002). This was echoed by Berry and Otley (2004) who suggested that case studies are the most suitable design to be deployed by the qualitative researchers who seek to enrich our understanding of accounting processes and practices and their context. In this way the qualitative strategy, underpinned by the interpretive paradigm, led the researcher to adopt a case study design.

#### 4.3.2. Explanatory Case Study Design and the Role of Theory

The research design can be conceptualised as a structure that connects the philosophical views and strategic preferences of a particular piece of research to its methods, in order to provide legitimate and accountable answers to the research questions (Gelo et al., 2008; Grix, 2010). Therefore, it can be argued that the choice of the case study design has been guided by the researcher’s philosophical stance, which influenced the way in which the researcher formulated the researcher questions. As such, the research questions have a significant impact on the chosen research design. However, there are also other circumstances which have impacted the design of this study. Table 4.3 illustrates the circumstances under which a specific design is preferred.

Table 4.3 Circumstances for Different Research Designs

Design	Type of Research Question	Requires control of Behavioural Events	Focuses on contemporary events?
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how much, how many?	No	Yes
Archival Analysis	Who, what, where, how much, how many?	No	Yes/No
History	How, why?	No	No
Case Study	How, why?	No	Yes

Source: (Yin, 2003, p. 5)

As presented in Table 4.3, a case study design has been argued to be particularly useful when the research question is either about how? or why? (Yin, 2003). In the current thesis both research questions are ‘how?’ questions (see Chapter one). Although there are other research designs which enable researchers to answer ‘how?’ questions, due to the other circumstances surrounding the research, case study design is deemed the most suitable for the purpose of this thesis. More precisely, the researcher asks ‘how?’ questions about contemporary accounting phenomena (the development of IORs, ION<sup>1</sup> and IOMCs) over which she has no control (Yin, 2003).

Moreover, a case study design has “a unique and significant feature”, namely it “is not totally structured. It evolves along with the field observations” (Ferreira and Merchant, 1992, p. 4-5). Thanks to this feature, the researcher could learn from the field observations and then develop the analytical framework provided in the Chapter three, rather than imposing an immutable and

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<sup>1</sup> It has been argue that case study design is particularly suitable for research concerning IONs as “[i]t allows the study of a contemporary phenomenon, which is *difficult to separate from its context, but necessary to study within it to understand the dynamics* involved in the setting.” (Halinen and Törnroos, 2005, p. 1286, emphasis added).

preconceived framework on the collected research evidence (Ferreira and Merchant, 1992). For example, while in the field the researcher learned that, not only changes in the immediate institutional field had an impact on the IORs and the ION, but the reforms brought into the country by international bodies, also had an impact. As such, a flexible case study design enabled the researcher to provide a holistic response to the research questions by exploring not only the current issues that shape organisation practices, but also past issues (history). As a result, the case study provided a more in-depth understanding of the phenomena under investigation.

In terms of accounting research, case studies enable researchers to “convey rich organizational stories of management accounting in context” (Lillis and Mundy, 2005, p. 119). Thus, they argued to be:

particularly powerful for studying issues that are not yet well understood, that are complex or contextually contingent, that are sensitive in ways that might cause serious response biases in a survey study, or that require analysis of data that are not publicly available (Ferreira and Merchant, 1992).

As explained in the Literature Review Chapter, the investigated phenomena, namely mixed-type IONs, IOMCs and their relationship with the institutional environment, are complex and not well understood. Furthermore, some of the questions regarding these phenomena would have been impossible to be addressed through a survey due to their complexity. What is more, the data needed to answer these questions is not publicly available. Thus, the nature of accounting phenomena such as IORs, IONs and IOMCs is best studied by adopting organisation-based approach, such as a case study (Meira et al., 2010).

As explained above, the case study design reflects the philosophical stance of the researcher. Berry and Otley (2004) claimed that “the methodological underpinnings of accounting research

are an important starting point for consideration of case-based research” (p. 231-232). The study is located in the interpretive paradigm, and therefore has certain characteristics, which are presented in Table 4.4. For the contrast, the characteristics of the case study design underpinned by the functionalism paradigm are also presented in the Table.

*Table 4.4 Case Study Design in Interpretive and Functionalism Paradigm*

Type of research	Interpretive	Functionalism
View of the world	Social Construction	Eternal and Objective
Types of Study	Explanatory	Exploratory
Nature of Explanation	Pattern/ Inductive	Deductive
Role of Generalisation	Theoretical	Statistical
Role of Theory	Understanding	Hypothesis Generation
Nature of Accounting and/or Management	Object of Study	Economic Decision Making

(Ryan et al., 2002, p. 146)

As presented in Table 4.4 interpretive case studies, like the current study, tend to have an explanatory character<sup>1</sup>. In the context of accounting research, explanatory case studies are used to “provide deep and *rich understanding of the social nature of accounting practices*” (Scapens, 2004, p. 261, emphasis added), as well as “to explain reasons for particular accounting practices” (Ryan et al., 2002, p. 144). As explained earlier, the goal of this study is not to produce a generalisation, but to enrich our understanding of particular accounting phenomena by explaining their relationships with the institutional environment, i.e. their social nature, and by exploring reasons for specific accounting practices, such as IORs, IONS and

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<sup>1</sup> Yin (2014) defined an explanatory case study as “a case study whose purpose is to explain how or why some conditions came to be (e.g., how or why some sequences of events occurred or did not occur)” (p. 238). This study examines how ‘conditions’ such as IORs, ION and IOMCs ‘came to be’ and therefore it can be argued that the explanatory case study design is suitable for this research.

IOMCs. As such, an explanatory case study in which “[t]heory is used in order *to understand and explain the specific*, rather than to produce generalisations.” (Ryan et al., 2002, p. 144, *emphasis added*) is appropriate.

To be more specific, the researcher adopts a single-case design, which is a preferred method for an explanatory case design which uses a social theory to guide the research and to provide an explanation and understanding (Rahaman and Lawrence, 2001; Scapens, 2004), rather than to impose inflexible theoretical frameworks. Scapens (2004) suggested that in explanatory case studies “[t]heory is useful insofar as it enables the researcher to provide a convincing explanation of the case” (p. 260). In this research, the selected theoretical approach is both an input for comprehending the practice, i.e., it is a sensitising device, and an output which enables the researcher to explain the case (Ryan et al., 2002; Ahrens and Chapman, 2006). More precisely, the researcher positioned the collected research evidence against the institutional logics approach and the theoretical concepts existing in inter-organisational literature (Lukka and Modell, 2010) and as a result was able to explore and refine the analytical framework set out in the previous Chapter.

Furthermore, a case study design has been argued to be useful in studies that rely upon the institutional logic approach (see e.g. Ezzamel et al., 2012; Amans et al., 2015; Carlsson-Wall et al., 2016), because it enables “rich, multi-level insights into the relationships of situated work practices and institutional logics” (Smets and Jarzabkowski, 2013, p. 1285). As explained earlier, the researcher bridges the analysis of the micro-level organisational practices with the macro-level institutional logics<sup>1</sup>. Although other studies relying upon the institutional logics

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<sup>1</sup> More precisely, the current study focuses on both the institutional dynamics and the micro-processes of management control and the case study is argued to have the potential to capture the dynamics of the studied phenomenon (Halinen and Törnroos, 2005).

approach, have deployed a comparative case study design (see e.g. Ezzamel et al., 2012; Amans et al., 2015), the researcher believes that a single-case design is more appropriate for the purpose of this research. This is because the aforementioned scholars studied (budgeting) practice variation in certain institutional fields. Whereas this study investigates the ways in which the formation of IORs and ION formation are guided by various institutional logics and the ways in which various IOMCs are shaped by the interplay of these logics. Examining these complex and environmentally contingent issues within a specific organisation (a single case) enables an empirical investigation to be conducted in a manageable way (cf. Dai et al., 2016). What is more, “the study of more than one cases dilutes the overall analysis; the more cases an individual studies, the less the depth, in any single case” (Creswell, 2012, p. 101). While the purpose of this study is to provide an in-depth understanding of the studied phenomena, a single-case study which enables the researcher to examine “underlying dynamics of the case” and “to see new theoretical relationships and question old ones” (Dyer and Wilkins, 1991, p. 614-615) is argued to be the most suitable one for the purpose of the thesis.

Drawing on the above, it can be argued that a qualitative case study is not purely empirical, but is deeply rooted in its theoretical design which is, to some extent, shaped by the interests and preferences of the researcher (Ahrens and Chapman, 2006). As such, the deployment of “qualitative *field studies in management accounting* is not a question of method but one of *methodology* understood as *general approach to the study* of research topics” (Ahrens and Chapman, 2006, p. 819, *emphasis added*). Following from this, the researcher argues that the explanatory case study design is part of the overall research methodology, while the research methods are the particular instruments that the researcher has deployed to collect the research evidence. These methods are explained in the section that follows the section explaining the conduct of the case study.

#### **4.4. Conducting the Case Study**

Case study research is considered to be “remarkably hard, even though case studies have traditionally been considered to be “soft” research, possibly because investigators have not followed systematic procedures.” (Yin, 2009, p. 21). However, it is argued in the literature that deploying systematic procedures is very important to increase procedural reliability, which indicates that “appropriate and reliable research methods and procedures” were deployed, and contextual validity “which indicates the credibility of the case study evidence and the resulting conclusions drawn” (Scapens, 2004, p. 269). As such, “[c]onsiderable thought needs to be given to the design of a case study and to practicalities of conducting a case study” (Scapens, 2004, p. 257). So, to prepare to conduct this case study various steps were undertaken.

##### **4.4.1. Preparation for the Case Study**

In preparation for the case study the researcher undertook various training modules on how to conduct case studies and how to analyse and interpret qualitative data<sup>1</sup>. Moreover, the researcher has conducted extensive desk research from articles and books on the various issues concerning qualitative research, in particular about conducting qualitative studies in developing countries. For instance, it was explained in the literature that in an explanatory case study an in-depth understanding of the organisation being studied is required (Scapens, 2004). Therefore, the researcher thoroughly investigated the case organisation (PenFund) before the field work started by consulting publicly available materials. Additionally, the researcher studied PenFund’s website which explains its organisational history and current activities, as well as providing the financial statements of the organisation.

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<sup>1</sup> For example, the researcher attended a workshops on “Case Study Research Methodology and Methods” and “An Introduction to Analysing Qualitative Data”.

Furthermore, to ensure that the research will meet the criteria of procedural reliability (Ryan et al., 2002) and to articulate the research process a case study protocol, which represents the researcher's "mental agenda", was drafted prior the field work (Yin, 2009, 2014). The case study protocol provides an overview of the study (including the profile of the case organisation), and clearly states the research objectives and questions, specifies methods for data collection, outlines field work procedures to be followed, and finally identifies procedures for the analysis and interpretation of the research evidence. In this way the case study protocol imposes discipline on the researcher, thereby ensuring procedural reliability of the study (Ryan et al., 2002). The protocol proved to be particularly useful given the limited resources associated with PhD study. However, the case study protocol was drafted before the researcher commenced the field work, and had to be adjusted in the field to reflect issues which were not anticipated at the outset. Although PenFund has characteristics applicable to the research question, namely it is a hybrid organisation operating under the conditions of institutional complexity in a developing country, prior to the field work the researcher did not assume the hybrid character of PenFund. The research questions were quite broad and focused on the impact of the institutional environment on the inter-organisational practices of the focal organisation and its ION. The hybrid character of PenFund was revealed as the research unfolded, and therefore the research questions were modified. However, this is considered to be a standard academic practice in a case study research (see e.g. Scapens, 2004). Nevertheless, in preparation for the case study, the researcher undertook a review of the theories in the literature to examine inter-organisational practices to draw up "a checklist of things to look for in the study" (Scapens, 2004, p. 265).

#### 4.4.2. Selection of the Case and Access Arrangements

To identify a relevant case, theoretical sampling, which enables the selection of a case that is “particularly suitable for illuminating and extending relationships and logic among constructs” (Eisenhardt and Graebner, 2007, p. 27) was used<sup>1</sup>. This meant that the case organisation selected possessed features which are applicable to the research questions<sup>2</sup>. This study is concerned with how IORs and the broader IONs are developed by a hybrid organisation operating under conditions of institutional complexity in a developing country and how the IOMCs deployed in these IORs and ION are shaped by multiple logics. A socially responsible public pension investment fund provides an appropriate context to study these phenomena. However, because the research focuses on the various aspects of the ION, it is important to account for multiple perspectives; i.e. to take into consideration the interpretations of the various organisations embedded in the ION, rather than just the perspective of the focal organisation (Caglio and Ditillo, 2008). Therefore, to avoid a situation where the “interpretation of organisational and inter-organisational phenomena has been heavily influenced by the attitudes, beliefs and values expressed by the management and employees” of the focal organisation (Coad and Cullen, 2006, p. 365), the case study was conducted in PenFund as well as one of its IORs and the partner organisations engaged in this IOR<sup>3</sup>. Moreover, by cross-referencing information provided by PenFund’s organisational actors with

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<sup>1</sup> Because the purpose of this research is to provide theoretical explanations, rather than testing a theory, theoretical sampling is appropriate (Amans et al., 2015; Dai et al., 2016).

<sup>2</sup> Scapens (2004) argues that “[t]he research question(s), together with the theoretical framework that underpins the research, will define the characteristics of the case to be studied, and the researcher should try to select cases that display those characteristics” (p.262). As explained in previous Chapters, public organisations are usually subject to multiple (institutional) demands, and therefore they tend to operate under the conditions of institutional complexity (see e.g. Meyer et al., 2014). What is more, public pensions funds tend to have investment portfolios which are made up of various types of investments, including IORs (see e.g. Wang and Mao, 2015). Furthermore, investment portfolios are engines of ION evolution (Ozcan and Eisenhardt, 2009). Therefore, the researcher identified PenFund as an interesting case in serving the purpose of the current research.

<sup>3</sup> Nevertheless, this is still a single-case design. The unit of analysis is the focal organisation and its ION. The other organisations are the embedded units of analysis (Yin, 2014).

the evidence provided by its partners, the management of the IOR and government officials, the contextual validity of the study was enhanced.

Because of the need to account for multiple points of views in the studies of IONs (Provan et al., 2007; Caglio and Ditillo, 2008), arranging access can become more complicated. Therefore, the researcher had to make use of an “easily accessible cases”, but this is common for Ph.D. studies where time and other resources are limited (Scapens, 2004, p. 263). As such, the choice of a particular developing country was determined by researcher’s social network, or more precisely the social network of the researcher’s former supervisor. It is stressed in the literature that existing contacts are an effective way of obtaining access to potential cases (Jankowicz, 2005). Furthermore, Uddin and Tsamenyi (2005) argued that in developing countries informal contacts are needed to obtain access to an organisation. As such, the informal contacts of then supervisor were utilised to arrange the access. The supervisor had contacts in various organisations, however after conducting a preliminary inquiry into these organisations it was concluded that PenFund would be a suitable case study. Moreover, the supervisor had contacts in an organisation that had an IOR with PenFund. As such, prior to the researcher’s arrival in WSSAC, an informal arrangement to conduct a case study had been made, which was then confirmed with formal letters (see Appendix 4.1 and Appendix 4.2). The same process was repeated with the partner organisations and the IOR.

#### 4.4.3. Ethical Considerations

It has to be noted that before the fieldwork could be commenced, the researcher had to obtain approval from The University of Birmingham Ethics Committee. In general, two approaches to handle ethical issues in social research, deontology and consequentialism<sup>1</sup> (May, 2011), can

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<sup>1</sup> In deontology “[r]esearch ethics take on universal form that is intended to be followed regardless of the place and circumstances in which researchers may find themselves. One such a doctrine is that of ‘informed consent’.”

be distinguished. In order to ensure good academic practice, the researcher adopts both approaches. As per the deontology approach, an Informed Consent Form as well as a Participant Information Sheet were drafted and used through the data collection process. Both documents had to be read and signed by interviewees prior to the start of the interview – see Appendices 4.3 and 4.4. In addition, according to consequentialism, confidentiality and anonymity should be guaranteed to the research participants (as stated in the Data Protection Act (1998)). For example, the name of the case organisation is concealed and interview transcripts are anonymised. Furthermore, all the collected evidence is used purely for the purpose for which they were originally obtained, and are stored in a safe place which can only be accessed by the researcher. Moreover, regardless the flexibility of semi-structured interviews (allowing the researcher to probe<sup>1</sup> and follow-up questions during interviews), the recommendations of the University of Birmingham Ethics Committee were followed throughout the data collection process. For example, the researcher did not ask any questions which could potentially make an interviewee feel uncomfortable.

#### **4.5. Research Methods and Triangulation of Data**

As explained earlier in the Chapter, the philosophical underpinnings of the study shape the nature of the research questions, which subsequently influence the choice of the research design, which in this research is a case study. Various methods of collecting case study evidence were identified in the literature (see e.g. Silverman, 2000; Mason, 2002; Ryan et al., 2002; Bryman, 2012; Yin, 2014). Although, qualitative data collection methods have a low

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(May, 2011, p. 62). While, “[c]onsequentialism is not so concerned with following a set of inviolate rules, but with the situation in which researchers might find themselves and with the consequences of their acts. According to this view, a set of doctrinal rules for the conduct of social research does not take account of context.” (May, 2011, p. 63). For example, “[g]uarantees of confidentiality and anonymity given to research participants must be honoured” as per the British Sociological Association (BSA) code of ethics (May, 2011).

<sup>1</sup> Probing can be defined as “encouraging the respondent to give an answer, or to clarify or amplify an answer” (Hoinville and Jowell, 1987, p. 101).

degree of standardization, three generic sources of data have been identified in the literature as the most characteristic of qualitative studies, namely observation, documentation and interviews (Bédard and Gendron, 2004). Irrespective of the research methods, their aim is to collect research evidence that enables the researcher to answer the research questions in the most effective and comprehensive manner (Grix, 2010). As such, there is a hierarchical relationship between the philosophical underpinnings of the thesis and the methods used, as depicted in Figure 4.3.

*Figure 4.3 Relationship between Research Paradigm, Strategy, Design and Methods*



Source: Developed by the researcher

The research evidence for the case study was collected via field work, the purpose of which is to become familiarised with another world by experience (Ahrens and Chapman, 2006)<sup>1</sup>. In a qualitative field study, the evidence has to be gathered in order to provide an in-depth understanding of the examined phenomena. For example, it has been argued that case study design in the context of an ION “can be defined as an intensive study of one or a small number of business networks, where *multiple sources of evidence* are used to develop a holistic description of the network”. (Halinen and Törnroos, 2005, p. 1286, *emphasis added*). In order to provide ‘a holistic’ explanation of the ION (how it emerged and is managed and controlled) the researcher used various research methods which allowed her “to address a broader range of historical, attitudinal and behavioural issues” (Yin, 2003, p. 98) which are associated with the development of the ION and the IORs embedded in this ION, as well as the IOMCs deployed within them. The researcher used such methods as interviews, direct observations and documentation. Each of these methods has certain weaknesses. However, they can be complemented by the strengths of the others. Table 4.5 presents strengths and weaknesses of the deployed sources of evidence.

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<sup>1</sup> It is argued that “the *field as a social reality* can only be *made sense* of if it is defined with the *reference to theories* that can illuminate its activities” (Ahrens and Chapman, 2006, p. 827, *emphasis added*). The researcher deploys the institutional logics perspective to ‘makes sense’ of the research evidence collected in the field.

Table 4.5 Strengths and Weaknesses of Various Evidence Sources

Source of evidence	Strength	Weaknesses
Documentation	<ul style="list-style-type: none"> <li>-Stable - can be reviewed repeatedly</li> <li>-Unobtrusive - not created as a result of the case study</li> <li>-Exact - contains exact names, references, and details of an events</li> <li>-Broad coverage - long span of time, many events, many settings</li> </ul>	<ul style="list-style-type: none"> <li>-Retrievability can be low</li> <li>-Biased selectivity if collection is incomplete</li> <li>-Reporting bias – reflects (unknown) bias of author</li> <li>-access – may be deliberately blocked</li> </ul>
Interviews	<ul style="list-style-type: none"> <li>-Targeted focused directly on case study topic</li> <li>-Insightful – provides perceived casual inferences</li> </ul>	<ul style="list-style-type: none"> <li>-Bias due to poorly constructed questions</li> <li>-Response bias</li> <li>-Inaccuracies due to poor recall</li> <li>-Reflexivity –interviewee gives what the interviewer wants to hear</li> </ul>
Direct observations	<ul style="list-style-type: none"> <li>- Reality - covers events in real time</li> <li>-Contextual - covers context of event</li> </ul>	<ul style="list-style-type: none"> <li>- Time-consuming</li> <li>-Selectivity - unless broad coverage</li> <li>-Reflexivity events may Proceeded differently because of being observed</li> <li>-Cost - hours needed by human observers</li> </ul>

Source: (Yin, 2014, p. 106)

In order to collect the research evidence, using the research methods presented in Table 4.5, the researcher visited the case organisation almost every working day during the fieldwork<sup>1</sup>. Although on some days interviews were not conducted in the organisation, the researcher used these days to observe and interact with organisational managers and staff. For example, on the

<sup>1</sup> The researcher spent three months in the field. This period was restricted by the required visa.

days that the researcher was visiting partner organisations to interview research participants working outside the case organisation, time was organised to visit PenFund at least during lunch time to conduct informal discussions in the canteen. As such, the researcher adopted the role of a visitor (Ryan et al., 2002; Scapens, 2004). The practicalities of these research methods are discussed below.

#### 4.5.1. Interviews, Recording and Transcription<sup>1</sup>

Greenwood et al. (2011) contends that various institutional demands arising from institutional complexity, “do not just “enter” an organisation—they are interpreted, given meaning and “represented” by occupants of structural positions” (p.342), for example, managers and other employees of an organisation. Therefore, interviews with these individuals were considered to be the most appropriate way of collecting the research evidence. As such, the researcher decided to interview those directly involved in, and familiar with, the formation of IORs and ION and the development and enactment of IOMCs as well as other members of the ION, such as partners.

Furthermore, in order to answer the research questions the researcher had to assess PenFund’s IORs and ION to examine the roles played by specific individuals and departments involved in the formation of the IORs and ION and the development and enactment of the IOMCs. Assuming the researcher wants to grasp the impact of the multiple institutional logics on these processes, interviews with the individuals involved in them seemed particularly appropriate.

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<sup>1</sup> Silverman (2000, 2001) suggested that recordings and transcription are also important source of research evidence. However, the recordings and transcriptions are results of conducted interviews.

From the three generic types of interviews in the social research literature, structured, semi-structured and unstructured, it was decided that the most suitable was the semi-structured interview<sup>1</sup>. Flexibility in developing and refining the interview structure and in conducting interview is the key to the success in employing this method (Horton et al., 2004). It enables interviewees to answer in their own terms, which means they are able to present their subjective perceptions of the phenomenon. This approach is consistent with the philosophical underpinnings of the study and with the purpose of employing qualitative data collection.

A guide for the semi-structured interviews was used in the early stages. Based on the initial research questions and literature review, an interview guide was drafted by the researcher and submitted to the supervisor for review. After receiving feedback, adjustments were made and revised interview guide was forwarded to the University of Birmingham Ethics Committee for approval. The final version of the interview guide is shown in Appendix 4.5<sup>2</sup>. This schedule specifies the key themes to be investigated, but at the same time it is flexible enough to allow emerging ideas to be explored (Bédard and Gendron, 2004). Consequently the researcher could ask questions in her own words, sequence them differently and probe and follow up answers when needed. Although the researcher used the interview guide the interviewees were encouraged to talk freely. This way of interviewing revealed issues which had not been

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<sup>1</sup> Structured and unstructured interviews were also considered by the researcher before choosing semi-structured interviews. However, it was concluded that unstructured interviews might introduce too much subjectivity, while semi-structured interviews “allows the interviewees a degree of freedom to explain their thoughts and to highlight areas of particular interest” (Horton et al., 2004, p. 340). Whereas, structured interviews were considered too rigid, given the novelty of the phenomena studied.

<sup>2</sup> There are two interview guides in Appendix 4.5. This is because of the diversity of research participants (interviewees from the case organisation and its partners). The interview guides were adapted to the particular positions of the interviewed individuals. Therefore, not all the questions listed in were asked. If the researcher thought that the interviewee was not capable of answering a question, or the question was irrelevant to the interviewee, that question was dropped.

previously identified, allowing them to be followed up during the interview or in informal discussions, and further investigated during observations and document analysis.

During the time spent in the field, thirty-nine interviews were conducted with various, actors (see Appendix 4.6). The majority (thirty-five) were recorded, while interviewees did not give a consent for the others to be recorded, probably due to the public and, to some extent, political nature of PenFund. Furthermore, the lack of familiarity with academic research could be another reason. Nevertheless, notes were taken during these interviews. Additionally, after each interview the researcher recorded her post interview thoughts. These recordings were also transcribed to supplement other field notes.

The interviews in PenFund started with the General Manager of the Investment and Development Division who recommended other potential participants. In addition, the researcher identified the former staff members who were involved in the development of the first IORs. In this way the historical data could be collected. Although the majority of potential participants accepted the invitation to be interviewed<sup>1</sup> and seemed to be interested in the research, they indicated that if the researcher's supervisor had not been local they would, most probably, have not agreed to participate.

The researcher encountered various challenges while in the field. For example, it was observed that some interviewees, especially those in the senior positions in PenFund, would rather explain how practices are supposed to be, than how they actually are. In such situations, the researcher used probing questions and also asked the same questions to the former PenFund

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<sup>1</sup> Two requests were rejected and the researcher had to give up two potential interviewees as there was insufficient time before she had to leave WSSAC due to visa restrictions. The researcher tried to arrange Skype interview, however they seemed not to be keen and therefore the researcher gave up.

staff. Moreover, on a few occasions interviewees were very late and this disrupted the interview plan. Also on a few occasions interviews had to be stopped and rescheduled, because the interviewee either received a phone call or had another appointment. This again caused some disruption in the interview plan. Nevertheless, the interviews were an important source of evidence for this study, but they were complemented by observation.

#### 4.5.2. Observations and Informal discussions

Observations and informal discussions were conducted in the case organisation, as well as one of partner organisations. However, it has to be noted that observations were often coupled with interviews. In this way, the researcher could collect ‘informal evidence’, while collecting evidence formally (Scapens, 2004). Direct observations, included watching other people’s behaviour and listening to their conversations in a way that allows for analytical interpretation (Ghauri and Grønhaug, 2005). This form of data collection provides ‘first-hand’ information in a natural setting. Because observations can capture the dynamics of social behaviour, they complement formal research evidence, such as interviews and documentation and can be used to illuminate the findings from formal sources (Saunders et al., 2011; Yin, 2014). However, using both interviews and observations at the same time can be very taxing as the researcher has to talk, listen, and observe simultaneously (cf. Hoepfl, 1997).

Furthermore, observations were also used as a separate method of data collection when the researcher was allowed to spend time in the case organisation, on the condition that she did not disturb the work. Additionally, the researcher also visited PenFund’s canteen at the lunch time. Through this visits the researcher could engage in informal discussions with staff to further explore issues revealed in the interviews. Thanks to the frequent visits to PenFund the researcher managed to develop a rapport with some of the staff. For example, some of the

interviewees telephoned the researcher to have ‘less formal’ discussions about PenFund’s inter-organisational practices in addition to the interviews arranged on the PenFund’s premises. Detailed notes were made immediately after these discussions/observations, so as not to disrupt the informal nature of these data collection methods. Moreover, like after the interviews, the researcher recorded her ‘post’ discussion/ observation thoughts, which were then transcribed.

Although it is argued that “true field studies use interviews and direct observations as the primary means of data collection” (Ferreira and Merchant, 1992, p. 4), documentation also played an important role in collecting the research evidence.

#### 4.5.3. Documentation

Yin (2014) argues that “documentary information is likely to be relevant to every case study topic” (p. 105) as they can be used “to corroborate and augment evidence from other sources” (p. 107). For example, the documentation about PenFund’s history, coupled with the interviews with former staff and government representatives enabled the researcher to understand the historical context of the reforms taking place in WSSAC which contributed to the emergence of the ION. However, the researcher is aware that formal documentation is often edited (Yin, 2014) to show organisation in a good light. Nevertheless, documentation was very useful in verifying the names and titles of people and other organisations, including political parties, mentioned in the interviews. Moreover, the analysis of documents, relating to the initiation and design of IORs, such as the JV contract, complemented evidence obtained from the interviews and observations.

However, the collection of documents was on some occasions complicated by the public nature of the organisation. The researcher had to assure senior staff that such documents, as the Assets

Allocation Policy and Investment Guidelines will only be used for research purposes. What is more, some of the research participants made the researcher ‘promise’ that she would not tell anyone that they provided her with certain documents, for example Minutes of the Meetings and the JV Draft Policy.

The mix of methods discussed above was used to enable the researcher to grasp the complexities and dynamics of IORs, IONs and IOMCs (see e.g. Dekker, 2004; Velez et al., 2008). Furthermore, the concept of triangulation<sup>1</sup> was used in the research design (Flick et al., 2012). Triangulation between the different empirical materials not only facilitated the broader exploration of the research phenomenon (Yin, 2003), but also increased the procedural reliability and contextual validity of the evidence.

Furthermore, by relying upon these divergent research methods, the researcher explores the potential of qualitative case study design which is to link highly structured research methods and highly unstructured research methods. To be precise, the researcher uses semi-structured interviews, and complements them with structured document analysis and unstructured observations and informal discussions. This is an advantage of this type of studies because it leads to a great variation of evidence (Ahrens and Chapman, 2006). As a result, research contextual validity is ensured through verification via triangulation. In summary, it can be argued that the use of multiple sources of evidence enhances overall credibility of the information obtained. Furthermore, the use of the relevant procedures for the analysis of collected evidence, which is explained in the following section, further enhances aforementioned criteria for grounding qualitative studies.

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<sup>1</sup> In qualitative research, the application of several methods in one study is often discussed using the concept of triangulation (Flick, *et al.*, 2012). Triangulation enhances the degree of legitimacy and accountability achieved by employing specific methods of data collection, analysis and interpretation (Onwuegbuzie and Teddlie, 2003).

#### 4.6. Research Evidence Coding and Analysis

The coding process is crucial in qualitative research as it allows the researcher to index and organise the data for further analysis. Bryman (2012) explained that coding involves “reviewing transcripts and/or field notes and giving labels (names) to component parts that seem to be of potential theoretical significance and/or that appear to be particularly salient within the social worlds of those being studied.” (p.568). As such, the researcher ‘coded’<sup>1</sup> all the collected evidence. Although, Bryman (2012) mentions only transcripts and field notes, the researcher also applied the codes to the analysed documents, for example the Assets Allocation Policy, Investment Guidelines, Pension Act, Minutes of the Meetings, the JV contract and Financial Statements<sup>2</sup>.

Furthermore, Mason (2002) noted that coding the data is “not analytically neutral” (p.148) and the researcher has to be aware of from where the codes are derived and what they include. As such, in the current study the institutional logics approach (see Chapter three) and concepts from the inter-organisational literature were used to derive the codes and to interpret the collected evidence. In addition, codes for the informal institutions specific to the case context, which are discussed in the next section, were developed as they were important in understanding the research results. All the codes were used to organise the research evidence in a way that enabled the researcher to address the research questions. However, codes, without analysis are just labels and do not provide insights. It has been argued that:

the qualitative researcher should expect to uncover some information through informed hunches, intuition, and serendipitous occurrences that, in turn, will lead to a richer and

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<sup>1</sup> NVivo was used to facilitate the coding and data analysis. As codes are called nodes in NVivo, therefore these terms are used interchangeably.

<sup>2</sup> The research evidence in the form of soft copies and scanned hard copies of documents were imported into the NVivo and coded/analysed in the same way as the interview transcripts and field notes. Storing all the research evidence in one file facilitated the analysis. Using various NVivo functions, e.g. queries and links, the researcher could review all the information coded as a specific node and verify whether there were any contradictions between the various forms of evidence collected.

more powerful explanation of the setting, context, and participants in a given study (Janesick, 2011, p. 148).

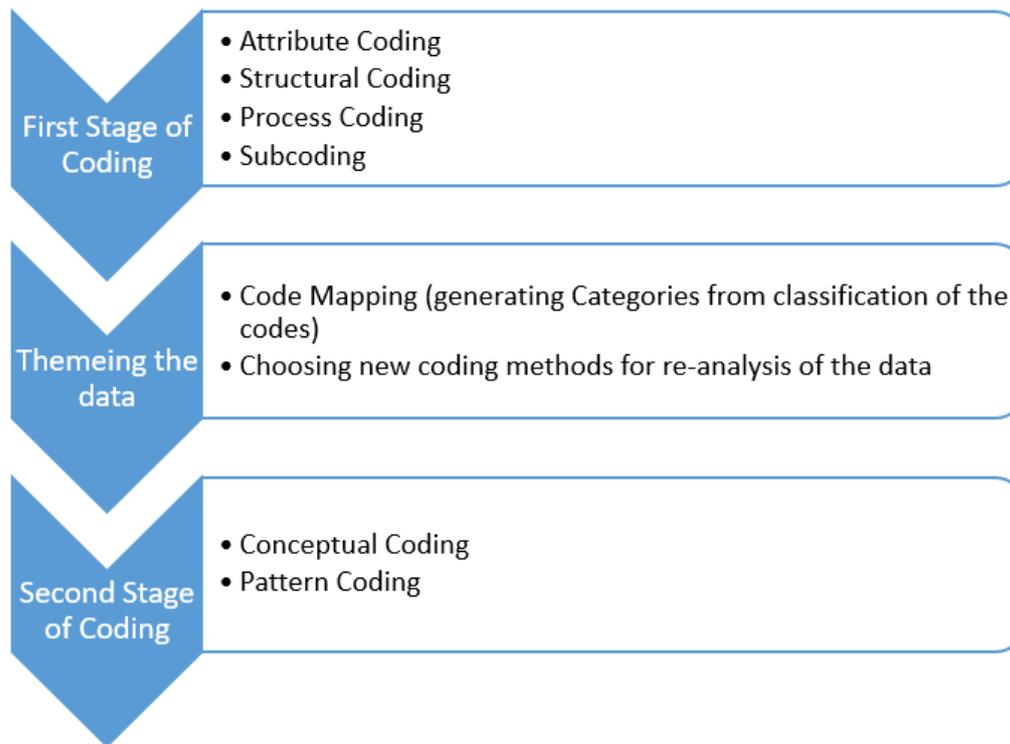
Thus, it is very important to produce “analytical memos”<sup>1</sup> and annotations before, during and after coding the data (Saldaña, 2013). Consequently, the researcher applied codes to chunks of the text while, at the same time, producing analytical memos and annotations. NVivo allows analytical memos to be linked with the specific data sources, such as observation notes, interview transcripts and documents, as well as with the codes. Annotations proved particularly useful in the first stage of coding, while the researcher was exploring the collected evidence. The annotations were used to record ideas to be explored further via data triangulation. The analytical memos enabled the researcher to keep the analysis separate from the research evidence, while at the same connecting them.

Following Saldaña (2013), the researcher used a mix of coding techniques during the stages presented in Figure 4.4.

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<sup>1</sup>Analytical memos can be defined as “sites of conversation with ourselves about our data” (Clarke, 2005, p. 205).

Figure 4.4 Coding Process



Adapted from: Saldaña (2013)

First, attribute coding was applied to assign attributes to the various research participants. These attributes include the sector in which interviewee works (public or private), position in the organisation (senior, semi-senior, non-managerial), experience from a developed country (studying/working), country of origin, age group and gender (see Appendix 4.6) with specific information. The systematic analysis of these codes revealed some patterns in the responses of individuals with particular attributes. For, example public sector actors in senior positions tended to reflect more the public sector logic in the IORs, in comparison to the actors in the semi-senior positions.

Second, the researcher applied structural coding, which “applies a content-based or conceptual phrase representing a topic of inquiry to a segment of data that relates to a specific research question used to frame the interview” (Saldaña, 2013, p. 84). This enabled the researcher to

segment the data relevant to specific research questions. Moreover, it also enabled the researcher to distinguish between the data relevant to the different research questions and to analyse across the various topics (see Guest and MacQueen, 2007), for example, identifying IOMCs deployed in the formation of IORs.

Third, process coding allowed the researcher to index the data. This implies some form of ‘action’, for example negotiations processes, the IOMCs development or ION formation processes. Corbin and Strauss (2008) suggested that researchers who examine “actions taken in response to situations, or problems, often with the purpose of reaching a goal or handling a problem” (p. 96-97) should apply process coding. As such, this method was particularly relevant for the current study. The analytical memos were particularly useful for the process coding as they enabled the researcher to develop a story line by identifying the steps in formation of the IORs and the ION. Additionally, Dey (2003) argued that “process refers to movement and change over time.”(p. 38). Therefore, by studying a process we can present a dynamic view of events, rather than a static description. Dey (2003) also suggested studying the interplay of various factors, such as institutional logics, that shape the process, as this gives the researcher “a sense of how events originate and evolve” (p. 38). In this way, the researcher was able to illuminate the logics that provide actors with rationalities for undertaking specific actions in inter-organisational processes. Finally, sub-coding was used as the researcher realised that some of the codes developed in the initial coding were too general.

After the codes had been applied to all collected research evidence (where applicable), the researcher commenced the second stage – “themeing”<sup>1</sup> the data. The main aim of this phase

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<sup>1</sup> The term “themeing” comes from Saldaña (2013) who uses the US spelling, alternatively ‘theming’ could be used.

was to re-organise the data to give direction to the study (Saldaña, 2013). In order to achieve this aim the researcher listed all the codes developed in the first stage and grouped them into categories. The categories and their labels were developed from a process of sorting and comparing; i.e. copying and pasting in a Microsoft Word document all the codes to determine which could be grouped into the same category (code mapping).

The aim of the second phase of coding was to connect “seemingly unrelated facts logically” (Morse, 1994, p. 25) in order to produce “a coherent metasynthesis of the data corpus” (Saldaña, 2013, p. 207). In this stage some codes developed in the first stage were merged, others had to be dropped due to their lack of conceptual significance (Silver and Lewins, 2014), whereas others were kept in the original version. The final coding scheme is presented in Appendix 4.7.

In the second phase of the coding the researcher transferred the chunks of data, which had been assigned to the same category in the previous stage (themeing the data) into separate folders. NVivo ‘search’ and ‘query’ functions facilitated this process. This enabled the researcher to conduct both the pattern and the conceptual coding. The conceptual coding allowed the researcher to eliminate the codes which did not have conceptual significance to either the inter-organisational or institutional logics concepts highlighted in Chapters two and three respectively. Then, through the pattern coding the researcher developed ‘meta-codes’ which are useful, for example, for the development of theoretical processes and the search for explanations (Miles and Huberman, 1994). Meta-codes “pull together a lot of material into a more meaningful and parsimonious units of analysis” (Saldaña, 2013, p. 210). In this way the researcher can combine all the codes that imply, for example, the enactment of the public sector logic. As such, the code ‘IL-Pub’ in Appendix 4.7 is a meta-code. After the second stage coding

was completed, the researcher reviewed the analytical memos and the pattern codes, in order to link the meta-codes. For example, the researcher was able to identify how the multiple logics enacted in the context of a developing country shape the inter-organisational processes and IOMCs.

#### **4.7. Summary**

The overall approach to conduct this research, i.e. its methodology (Ryan et al., 2002; Yin, 2014) has been presented in this Chapter. It was explained that the philosophical stance of the researcher had a significant impact on the way in which research questions were formulated, and this subsequently shaped the research strategy, design and methods.

In order to classify current study, the taxonomy of accounting studies developed by Hopper and Powell (1985) was used. According to this taxonomy, the study can be located amongst interpretative accounting studies which aim is to understand and interpret accounting as a social practice. Subsequently, the research strategy adopted was explained and, in line with the researcher's philosophical stance, a qualitative strategy, studying the research phenomena in its natural setting, was employed. As such, the development of the IORs, ION and IOMCs are studied in their natural context. Furthermore, the case study research design allowed the researcher to link processes and practices to a specific organisation (the case).

Additionally, the practicalities of the case study design were described in this Chapter. The researcher provided reasons for deploying the specific research methods which enabled her to effectively collect the data that were subsequently coded and analysed to address the research questions.

## **CHAPTER FIVE: FOCAL ORGANISATION, ITS INSTITUTIONAL ENVIRONMENT AND HYBRIDISATION**

### **5.1. Introduction**

The previous Chapter discussed the methodology of the current study, including the philosophical assumptions on which this thesis is built, the adopted research design and methods, and the research process – collecting the research evidence and coding and analysis of this evidence. The researcher also presented the ethical issues that had to be considered before commencing the field work. The aim of this Chapter is to provide important background information for understanding the formation of the IORs and the ION of the focal organisation and the IOMCs upon which PenFund relies, which will be discussed in the subsequent two Chapters. Additionally, the context of developing countries and, in particular, a Western Sub-Saharan African Country (WSSAC), in which the current study has been conducted, as it is relevant to the analysis of the collected research evidence, is explained in this chapter. The country specific characteristics, such as historical, geographical and socio-political characteristics, are explained to facilitate the interpretation of the case study findings in the current and the following two Chapters. The aforementioned context specific factors shape the rationalities of purposeful organisational actors and, thereby, also the ways in which institutional logics are enacted by these actors (cf. Greenwood et al., 2011). Consequently, they have an important influence on the formation and structure of the ION of the focal organisation, namely PenFund, and on the IOMCs deployed within it.

The case study presented in the current thesis was conducted in two stages. The first stage was conducted in PenFund, whereas the second stage was conducted in one of PenFund's IORs, namely a JV called JV x. The first part of the case study examines the mixed-type ION of

PenFund which operates under institutional complexity. More specifically, the researcher examined the impact of multiple logics on the formation of the IORs and the ION, its structure and the IOMCs used to simultaneously manage and control the multiple IORs embedded in this ION, from the perspective of PenFund<sup>1</sup>. In order to deepen the investigation of the IOMCs deployed by the focal organisation in its individual IORs, in the second stage of the case study, the researcher examined in detail one of PenFund's IORs, namely JV x, embedded within the broader ION of PenFund. This allowed the researcher to cross reference the information regarding the IOMCs deployed by PenFund in its IORs provided by PenFund actors. As such, these two stages enabled the researcher to understand the way in which PenFund's multiple IORs developed into an ION (see Chapter six) and also to understand the use which PenFund made of IOMCs in its IORs and the ION (see Chapter seven).

The remainder of this Chapter is structured into four sections. The following section (5.2) discusses the context of the case study, which was identified prior the data collection, from the existing literature on developing countries. Then section (5.3) explains the reasons for choosing an investment portfolio as an example of an ION. The subsequent section (5.4) provides an introduction to PenFund and explores its institutional environment. This section is further divided into two sub-sections which focus on (1) Tracing PenFund's history and exploring its institutional environment. This allows the researcher to explain the institutional logics prevalent in PenFund's institutional field and how they have evolved. In this way the background for the explanation of PenFund's inter-organisational processes is provided. (2) Examining the structure of the PenFund's investment portfolio. Explaining the structure of the portfolio provides the basis for the explanation of the ION formation. The next section (5.5)

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<sup>1</sup> However, in order to increase reliability of the case study, the researcher collected the data by conducting observations and interviews and analysing various documents not only within the focal organisation, but also in two partner organisations and one IOR. Additionally, interviews with former employees of the focal organisation and Government officials were also conducted.

examines some of PenFund's organisational attributes<sup>1</sup>. It is important to explain the various organisational attributes as they are filters which impact the way in which the multiple logics prevalent in the institutional field are enacted in the focal organisation (Amans et al., 2015), i.e., certain attributes can make an organisation more sensitive to specific logics and less to others (Greenwood et al., 2011; Besharov and Smith, 2014); thereby influencing the way in which the institutional logics shape the formation of the ION and the design of IOMCs. Finally, the last section (5.6) provides a summary of the Chapter.

## 5.2. Case Study Context<sup>2</sup>

Drawing on the researcher's philosophical stance discussed the previous Chapter and the theoretical assumptions discussed in Chapter three, IORs, IONs and IOMCs are argued to exist in a broader institutional environment and thus should be examined within their natural context (for similar argument see e.g Hopper and Powell, 1985; Chua, 1986; Coad and Cullen, 2006; Cristofoli et al., 2010; Cäker and Siverbo, 2011). Furthermore, to provide a comprehensive explanation of the studied inter-organisational processes and IOMCs "a holistic view of controls and their *relevant context* is required" (Cäker and Siverbo, 2011p. 331, emphasis added). Therefore, the context of developing countries<sup>3</sup>, in which the focal organisation operates, is discussed in this section. The emphasis is placed on the characteristics of Sub-Saharan African (hereafter SSA) countries and, in particular, the characteristics of the Western Sub-Saharan African Country<sup>4</sup> (WSSAC<sup>5</sup>) where the current study was conducted.

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<sup>1</sup> As explained in Chapter three, the attributes of an organisation refer to the organisation's position within a field, i.e., its structure, ownership and governance, and its identity.

<sup>2</sup> Although this section is important to the case study, it had to be kept short because the researcher cannot disclose in detail country specific information that would allow the reader to identify the name of the country and hence the case organisation.

<sup>3</sup> As explained in the Literature Review Chapter, developing countries have recently become "a critically important global phenomenon" (Hitt et al., 2000, p. 450), and demand more empirical research within their own context (Hitt et al., 2000; Alawattage et al., 2007; Hopper et al., 2009)

<sup>4</sup> There are seven low-income developing countries in Western Sub-Saharan Africa.

<sup>5</sup> The concealment of the country will not distort the outcomes of this research as some characteristics, such as culture, ethnicity, corruption, coercion and political patronage are pertinent to all low-income Western Sub-

WSSAC was a British colony until the late fifties when it obtained independence. Since the early eighties, WSSAC has enjoyed a politically stable environment. Now, WSSAC is one of, not many, countries in Africa with a democratically elected government. Due to the democratic elections the government is changing on a regular basis (every four years). Moreover, multiparty presidential government has been in place for some years<sup>1</sup>. The introduction of the multiparty system contributed to the politicisation of society. More precisely, WSSAC citizens have become highly influenced by the ideologies of various political parties. This has resulted in favouritism towards party supporters/members in business relations. Such a politicised approach can have an impact on the formation of IORs, especially in public organisations which are usually not politically neutral. More generally, due to their novelty, democratic administrative structures in SSA “are [still] weakly institutionalised, making *the public sector prone to ‘penetration’ by party politics* and leading to *politicisation at all levels in the organisational hierarchy*” (Polidano, 1999, p. 16-17, emphasis added; see also Manning, 2001). Nevertheless, WSSAC is considered to be one of the most politically stable countries in Africa.

Despite its political stability, WSSAC is economically amongst the poorest countries in the world. However, since the World Bank initiatives in SSA countries, WSSAC has been engaged in a programme of economic recovery. The programme was composed of three phases and has significantly impacted the country’s business environment. In order to ensure a balanced economy, the first phase of the recovery program was aimed at the elimination of price distortion. Then, the second phase focused on liberalisation and relaxation of price controls and on encouraging foreign investment by offering foreign investors tax incentives to either invest

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Saharan African Countries. In order to assure the anonymity of the country, the researcher cannot provide in-text citations for the reviewed literature concerning WSSAC. However, all the reference are available on request.

<sup>1</sup> To ensure the anonymity the exact number of years cannot be provided.

directly or buy shares in the state-owned organisations, thereby starting the process of privatisation. The goal of the final, third phase was to eliminate, or at least significantly minimise, governmental interventions in market mechanisms. This particularly affects the operations of various organisations, including the case organisation, namely PenFund. All aforementioned reforms were geared towards laying the foundations for the development of the private sector.

Furthermore, these developments in SSA countries have been stimulated by globalisation. For example, it has been argued that “[t]he globalisation of the world economy and the surge in competitive pressures in today’s business environment” have contributed to the shift “from state-controlled capitalism towards private entrepreneurial capitalism” in many countries in SSA (Acquaah, 2009, p. 46). Moreover, the attempts to move away from the constraints of the ‘administrative state’ in SSA have been stimulated by the spread of New Public Management (NPM) ideas across the globe. What is more, it has been argued that “NPM ideas had become the dominant policy discourse in shaping the administrative state in developing countries” (Ohemeng, 2005, p. 443). However, it has been reported that in reality the introduction of the ideas of NPM aimed at improving the performance of state-owned organisations through contracts, such as public-private IORs, has been particularly difficult in WSSAC due to, amongst other things, “the political connections of managers”<sup>1</sup>.

Nevertheless, in the early nineties WSSAC passed an Investment Promotion Act that highlighted the characteristics of WSSAC’s economy and started a shift towards the philosophies of private capitalism. Additionally, the wording of the Act stressed the opportunities provided by WSSAC, in comparison to other SSA economies, including amongst

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<sup>1</sup> Quote reference available on request.

others a stable political climate, a government embracing market policies and practices, continuous interactions and communication between the government and private sector pressure groups leading to consensus rather than coercive measures by the government<sup>1</sup>, the liberalisation of investment and trading policies, and many more. Despite these advantages and the improvements in the management of public resources of the WSSAC economy brought about by the structural changes, there are certain political and cultural issues, as well as business customs and practices, including kinship, corruption and political and government interference, that are very deeply rooted in the country's culture and can affect various organisational operations, including the establishment of IORs and wider IONs<sup>2</sup>. For example, although an improvement in the use of public resources was reported by the World Bank, it also highlighted incompetence and wastefulness in project implementation and in expenditure management, partially caused by the aforementioned practices.

Following from the above it can be argued that in WSSAC, as in any other SSA country, local societal influences have a significant impact on the management and therefore also on the management accounting and management controls of modern organisation in the country. Due to various traditional, cultural behaviours, i.e., informal institutions, operations can become inefficient and costly, thereby imposing a burden on organisations. In addition, these traditional cultural behaviours affect the efficiency and integrity of formal bureaucratic systems and make it difficult to apply standard management practices and hence also IOMCs. An important aspect of WSSAC's culture, which imposes a heavy burden on modern organisations, is the 'kinship

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<sup>1</sup> Since WSSAC introduced constitutional democracy, multiple associations of civil society have been formed, with each attempting to exercise pressures on the broader societal context. However, in a paper discussing NPM practices in WSSAC it was argued that, in practice, the civil society groups attempting to exert pressure on the 'administrative state' have been used to 'rubber-stamp' what government officials have already decided to do (reference available on request).

<sup>2</sup> As explained by Elharidy et al. (2013) "[e]ach country has many institutions that [either] facilitate [or hinder] the organisation of economic activity [...]" (p. 64).

and the extended family system'. The majority of people, including managers of various organisations, provide support and help to the family and kinsmen, so they in turn can receive help when they are in need. As a consequence, there is a high sense of collectivism which often results in ethnic bias, partiality, and prejudice which subsequently can have a negative influence on the management and management controls deployed by organisations. More precisely, it is common for WSSAC's citizens to pressure family and kinsmen in positions of power or authority to, for example, do business together or to employ them, irrespective of their qualifications. This significantly affects efficiency and the effectiveness of intra- and inter- organisational operations.

Additionally, in WSSAC, great respect must be shown to people in authority and the elderly, as a result, a high degree of subservience to authority figures, such as directors and managers and to elderly people, can be observed. This increases the social distance between superiors and subordinates. There is a very sharp distinction between directors, management and lower rank staff in WSSAC's organisations. In addition, respect for the elderly and authority figures makes it very difficult for a young manager to discipline their older subordinates.

Moreover, WSSAC has a 'culture of forgiveness', which has a negative impact on management practices, especially on issues related to underperformance. WSSAC's citizens, and hence most employees of modern organisations, have no objections to begging for forgiveness. Because managers do not want to be considered as 'bad people' and unpopular in the organisation, they often fail to discipline employees for even gross misconduct. In addition, SSA culture tends to ignore the significance of the concept of time in organisational operations. Lateness is rife in SSA organisations and this can have a negative impact on organisations' management.

Finally, in countries like WSSAC, “management accounting cannot be divorced from issues of democracy, *local control* and commitment, and *corruption*” (Alawattage et al., 2007, p. 188, emphasis added). Corruption is a recurring issue in research on developing countries; but it has received relatively little attention from management accounting scholars (for similar argument see e.g. Alawattage et al., 2007; Everett et al., 2007; Everett, 2012). Despite this lack of attention, corruption can have a significant impact on IORs and IOMCs as it affects many aspects of organisations operations, especially the operations of public organisations. It has been argued that corruption

erodes democracy; values of trust<sup>[1]</sup> and tolerance; the legitimacy and institutional capacity of government; good governance by reducing legislative accountability, representation in policymaking; the rule of law; and brings unfair service provision in administration (Hopper et al., 2009, p. 494-455).

What is more, “in extremity, corruption represents [the] embezzlement of entrusted [public] funds” (ibid). All these results of corruption are very important for organisations, such as public pension funds, which invest the money of the citizens into various IORs that are meant to be the most profitable and socially desirable investments (see e.g. Coronado et al., 2003; Hess and Impavido, 2003; Sethi, 2005). However, the high level of corruption can lead to the misuse of these entrusted funds and the formation of IORs that neither provide high returns, nor are socially desirable.

In addition, many employees in WSSAC’s public organisation are underpaid and this exacerbates the norm of bribery and corruption that already exists in the country. In WSSAC, as in any other country, regardless of whether it is a developed or developing economy, corruption is considered a criminal offense. Nevertheless, it is still endemic in Africa. It is

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<sup>1</sup> Trust is an important concept when examining the IORs and their IOMCs. For more detailed discussion on trust in IORs see Chapter two.

common for public organisations' employees to demand or, at least, expect some sort of 'an enticement' for carrying out their normal duties. Usually, a failure to give a bribe results in obstacles in conducting various business activities, for example in document processing.

Furthermore, it has been argued the many conventional accounting practices can be employed in developing countries, and that various accounting practices used in developed countries are transferable, despite the different economic, political and socio-cultural conditions (Alawattage et al., 2007). For example Awio et al. (2007) argued that traditional auditing is valuable in an African developing country context. Nevertheless, it is likely that the aforementioned informal institutions, which shape the rationalities of organisational actors, will have a significant influence on the development of mixed-type IONs and the IOMCs utilised in these IONs in developing countries. Thus, it is important to highlight the significance of the specific country context. However, it would be improper to separate the literature on developing countries from mainstream (management) accounting studies (Hopper et al., 2009). Although developing countries are somewhat different due to the impact of their traditional cultures on organisation management (Hopper et al., 2009), according to Alawattage et al. (2007), the issues common to organisations in developing countries can be also found in developed economies. Thus, developed countries can also benefit from studies conducted in the developing countries.

### **5.3. Investment portfolio and the 'Social' side of Strategic Investment**

#### **Decisions**

An investment portfolio of PenFund, and in particular the asset class Alternative Investments, is used as an illustrative case of an ION in the current thesis. Investment portfolios composed of various investments and IORs are an engine of ION's evolution (Ozcan and Eisenhardt, 2009). However, due to the limited number of studies on IONs, our knowledge about how these

IONs emerge and are sustained in practice is very limited. Although, due to cases of mismanagement of public pension funds' investments, interest in their management systems has increased substantially over the past few decades, these studies are dominated by the functionalist approaches (Stalebrink et al., 2010). However, the participation of human actors in strategic investment decisions<sup>1</sup> (hereafter SIDs) makes pension funds' investments a socially constructed phenomenon. Nonetheless, remarkably little is known empirically about the 'social' side of SID making, management and control practices and the impact of the wider institutional environment on SIDs and the management of the subsequent investments (see Carr et al., 2010; Harris and El-Massri, 2011; Elmassri et al., 2016; Harris et al., 2016), especially in public pension funds (PPFs). Furthermore, the fact that SIDs contribute to the development of the IORs and broader IONs has been neglected in the inter-organisational literature<sup>2</sup>.

Generally, researchers focusing on SIDs and investment management focus on private organisations and utilise various positivistic theories, for example Modern Portfolio Theory, to examine issues around technical accounting measures, for example net present value (NPV) and optimal portfolio mix. Due to this technical/rational perspective on accounting, such an approach de-emphasises the role of human actors and the processual nature of accounting "by presenting SIDs as objective decisions based on rational technical structures. However, [...] the decision-maker and the role of internal and external influences are crucial to the SID process" (Elmassri et al., 2016, p. 154), which can result in the formation of IORs and IONs. Moreover, it has been argued that the management accounting literature on SID making

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<sup>1</sup> Following Carr et al. (2010), an SID can be defined as a decision on an investment which has an impact on the organisation's performance. In the current study the SIDs generate the returns provided to the owners of the pension fund and result in the formation of IORs and subsequent ION development; thus, they have an impact on PenFund's performance. Moreover, the Investment Policy and Guidelines document issued by PenFund explains that "Investment Selection is driven by the *strategic* assets allocation" (*emphasis added*).

<sup>2</sup> As explained in Chapter three, the ION literature has been dominated by the functionalist approach suggesting that IONs originate from the failure of markets and hierarchies and do not differ significantly.

disregards the role of agency and especially the key role played by decision makers, i.e., purposeful actors, in SIDs (Elmassri et al., 2016). As such, issues pertinent to IORs which result from SIDs and the control solutions deployed by PPFs to manage and control their socially constructed investments are under-researched.

Furthermore, it has been argued that PPFs' managers should invest available funds and manage their investments in a prudent manner (Stalebrink et al., 2010) but, in order to do so, all the factors that can have an impact on SIDs and the management of investments should be taken into account, including the wider institutional environment<sup>1</sup>. As such the impact of, for example, the developing country context, and the conditions under which the organisation operates, including the institutional complexity, on the organisation's purposeful actors, i.e. decision makers, should not be ignored (Carr et al., 2010; Elmassri et al., 2016; Harris et al., 2016). Elmassri et al. (2016) argued that "while SIDs may involve technical elements (e.g. NPV) the utility of accounting analysis is improved by contextualising the accounting decision-making process holistically. This results in understanding accounting and managerial judgment as relational to internal and external structures." (p.151). Moreover, it has been suggested that SIDs are not always a result of financial/economic/rational considerations (Carr et al., 2010) and thus, non-financial factors, such as social and political factors, "become comparatively more important than the pre-supposed [economic] rationality" in SIDs (Elmassri et al., 2016, p. 151)<sup>2</sup>. As such, the researcher argues in this case study that the IORs and IONs, which are

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<sup>1</sup> Additionally, it has been contended that in order to explain the institutional forces that shape observed behaviours (of organisations and organisational actors), the rationales behind their behaviours must be investigated (Kilfoyle, 2012). The institutional logics approach provides a means to explain such rationales.

<sup>2</sup> Various scholars (Carr et al., 2010; Harris and El-Massri, 2011; Elmassri et al., 2016) have called for comprehensive research on how various cultural, political, social and organisational factors impact management accounting practices, such as SIDs and investment management. Additionally, it has been stressed that SID making practices can vary across the countries (Carr et al., 2010); thus the need for in situ research. Nevertheless, the researcher has not come across such a study while conducting the literature review. Therefore, this case study intends to expand our knowledge by examining an investment portfolio using the institutional logics approach in conjunction with the 'whole network' perspective. Adopting such a holistic approach to examine the investment portfolio of a PPF will contribute, to both the literature on mixed-type IONs and their IOMCs in the context of

formed as a result of SIDs made by PenFund and the IOMCs deployed to manage and control these investments, can be shaped by various factors, more precisely by the multiple institutional logics enacted by the purposeful organisational actors. In this way, the researcher deploys the institutional logics approach to understand the institutional realm in which PenFund operates and the complex relationship between this realm and the evolution of its ION and the development of IOMCs.

#### **5.4. PenFund and its Changing Institutional Environment**

PenFund is a Statutory Public Trust in WSSAC and it is charged with the administration of the country's Basic National Social Security Pension Scheme. In fact, PenFund is the only institution legally authorised by the Pensions Act to operate the basic social security scheme in WSSAC. Therefore, it has huge resources coming from contributions which must be invested in order to fulfil its obligations to current and prospective beneficiaries<sup>1</sup>. As a result, PenFund is currently the biggest non-bank financial institution in WSSAC. Moreover, PenFund is the single largest shareholder on the WSSAC's Stock Exchange, which makes it the largest institutional investor in the country. However, in developing countries, such as WSSAC, financial markets are usually in the formative phase (Hitt et al., 2000). WSSAC'S Stock Exchange market is relatively new (it was officially launched in the early nineties) and is still underdeveloped. Therefore, the opportunity to purchase large volumes of shares, as an investment fund would usually do, in organisations that have potentially high returns is not readily available. Thus, in order to provide their 'owners' with relevant returns, investment pension funds, such as PenFund, have to seek other investment opportunities, i.e. Alternative

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developing countries, by deploying the institutional logics lens and, the literature on SIDs and the management of investment portfolios. This case study extends the literature on SIDs by exploring factors which shape SIDs that contribute to the development of IORs and IONs.

<sup>1</sup> Beneficiaries are mostly pensioners; however, benefits are also paid to the disabled (invalidity pension) and to dependants of pensioners who passed away before reaching the retirement age (survivors benefit).

Investments, which allow PenFund to augment its returns. As such, PenFund has established various IORs which have given rise to the formation of an ION<sup>1</sup>.

Although, IORs established by Pen Fund are located and operate at the intersection of different institutional fields (cf. Kilfoyle and Richardson, 2015, p. 558), the pensions field is the field of PenFund's key operations. In order to provide a comprehensive explanation of the IORs, the ION formation process and the development of IOMCs, the following sub-section identifies the multiple institutional logics<sup>2</sup> which reside in the pensions field and are filtered into the case organisation through its organisational attributes. Currently, the pensions field comprises the public pension fund, namely PenFund, private pension funds, which have proliferated since the liberalisation of WSSAC's economy, and other various stakeholders, such as the International Social Security Association, the National Pensions Control Authority (hereafter NPCA), the government and the various contributors (beneficiaries). The field is regulated by the Pensions Act, which applies to all pension funds operating within the field, and the NPCA, which is an organisation that assures compliance with the Pensions Act.

An historical analysis has been deployed to provide a comprehensive explanation of the developments within the pensions field. Moreover, an historical analysis facilitates the explanation of the research findings. Richardson and Kilfoyle (2016) argue that the majority of the management accounting studies "focuses on relatively short periods of time, typically 2 –

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<sup>1</sup> IORs are the building blocks of IONs (Owen-Smith and Powell, 2008).

<sup>2</sup> It is worth remembering at this point that "*the multiplicity of institutional logics*, be they mutually incompatible or not, grounds *institutional complexity*." (Amans et al., 2015, p. 48, emphasis added). Multiple logics provide diverse forms of institutionally based rationality, and therefore can impact the SIDs and subsequently the formation and structure of the ION as well as the development and use of IOMCs. However, no studies have so far focused on how the multiplicity of institutional logics within an organisational field and within an organisation affects the formation of IONs and the development of the IOMCs of an organisation which faces such an institutional complexity. Thus, the current study expands our understanding by explaining how the purposeful organisational actors' interpretations of multiple institutional demands arising from institutional complexity shape their SIDs and the subsequent IORs and the ION formation and the IOMCs deployed in the ION.

5 years (Quinn, 2014), such that most factors beyond the immediate institutional field that may influence change in the management accounting system are constant” (p. 32, brackets in original). However, the current study, by deploying an historical analysis, observes the changes in the WSSAC’s inter-institutional society<sup>1</sup> over a period of decades. Therefore, it considers factors, or more precisely institutional logics, that have changed not only within the immediate institutional field of PenFund, namely the pensions field, but also outside this field, and which have provided an impetus for the development of PenFund’s ION. Furthermore, the researcher refers to the societal-level logics as it has been argued that “in the long run, actions must be explained by societal-level institutional logics” (Richardson and Kilfoyle, 2016, p. 36) and since the current study deploys an historical analysis, it is appropriate to refer to the societal-level logics. Nevertheless, the specific societal-level logics have been grouped into field-level logics, such as the public sector logic and the private sector logic. However, this will be discussed in the following section.

#### 5.4.1. History and Changing Institutional Environment of PenFund

##### 5.4.1.1. *The Public Sector Logic and the Private Sector Logic – An Outline*

PenFund has been in the social security business since the mid-sixties. However, in recent years the public sector and also the pensions field, in WSSAC, in which PenFund operates, has changed significantly. Various reforms, which were discussed in the section “Case Study Context”, namely the reforms brought into the WSSAC’s by the shift from an administrative state system, the restructuring programme, globalisation and the introduction of NPM ideas, have contributed to changes in the public sector and subsequently in the pensions field, which then contributed to the hybridisation of PenFund. As explained in the previous Chapter, all the

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<sup>1</sup> As explained in Chapter three, society is an inter-institutional system which is made up of institutional systems such as family, religion, community, state, market, profession and corporation. Each institutional system has an overarching, societal-level logic which carries the same name as the institutional system, e.g. market logic and community logic.

aforementioned reforms and changes were geared, amongst others, towards laying the foundations for the development of the private sector. In this way, they contributed to the emergence of the private sector logic in the pensions field, which has previously been dominated by the public sector logic.

The private and the public sector logics, which are field-level logics, are nested in and, as such, constitute various norms, routines, rules and rationales, i.e. organising principles, of societal-level institutional logics (for a similar argument see e.g. Meyer and Hammerschmid, 2006b; Meyer et al., 2014). This means that the public and the private sector logics are, to some extent, constellations of the organising principles originating from societal-level logics (Goodrick and Reay, 2011; Meyer et al., 2014). In this case study, the public sector logic constitutes mostly the norms and rationales of the state and community logics; whereas private sector logic includes those of market and corporation logics. However, the researcher argues that the existence of multiple institutional logics is an empirical question and, therefore, it cannot be assumed but, it must be empirically analysed and documented. As such, the researcher identified the key logics and their impact on PenFund and its inter-organisational practices through the analysis of various research evidence. For instance, during the interviews, the research participants were asked to explain how PenFund's organisational structure, vision, mission, objectives, SIDs and management practices were impacted by the changes introduced in WSSAC'S public sector and subsequently its pensions field. The researcher identified the different rationales, meaning and importance attached to, for example, SID and IOMCs, which were emphasised in the interviews and the documents. These were indicative of the existence of multiple logics in the pensions field and the institutional complexity faced by PenFund. The existence of multiple logics in the pensions field contributes to the various pressures exerted on PenFund by its stakeholders. For example, many interviewees stressed the continuing

expectations that WSSAC's government places on PenFund, namely to support the achievement of national goals, even though PenFund is no longer a governmental organisation, indicating the significance of the state logic. Additionally, the need to fulfil the demands, which contributors place on PenFund, to invest in socially targeted investments emphasised the relevance of the community logic. Moreover, the necessity for PenFund to be responsible for its growth and financial performance was, also emphasised, thereby indicating the impact of the corporate logic. Finally, interviewees also emphasised the increasing competition amongst pension funds and the subsequent need for PenFund to generate commercial rates of return on its investments, suggesting the market logic. To summarise, the analysis of the collected data revealed four salient logics, namely the community, state, corporate and market logics, faced by PenFund and enacted by its actors.

These four societal-level logics merged into the field-level logics, specifically the public sector logic and the private sector logic. This is because, the interviewees suggested that, before the NPM changes and the World Bank initiatives were introduced into the public sector, the pensions field was dominated by the organising principles pertinent to the state and community logics. Whereas the impact of corporate and market logics on PenFund and its inter-organisational practices emerged only after these changes which, as explained in the previous Chapter, were intended to shift WSSAC from state-controlled capitalism and subsequently provide the foundations for the development of WSSAC's private sector<sup>1</sup>. Similarly, private and public sector logics have been recognised in study of public organisations and their practices in developed countries (see e.g. Hammerschmid and Meyer, 2005; Meyer and

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<sup>1</sup> As such, collected data was organised into inductively developed meta-codes, such as the public sector logic and the private sector logic, and these subsequently provided the researcher with evidence for the multiple institutional logics faced by PenFund at organisational and inter-organisational-levels. Table 5.1 presents the operationalisation of the meta-codes and some exemplary evidence, for instance, interviews' quotes, implying the effect of multiple logics on PenFund and its inter-organisational practices.

Hammerschmid, 2006a; Meyer and Hammerschmid, 2006b; Meyer et al., 2014)<sup>1</sup>. Table 5.1 outlines the public and the private sector logic and provides some exemplary evidence<sup>2</sup>.

*Table 5.1 The Public Sector Logic and the Private Sector Logic – Indicatives*

The logics	Exemplary Research Evidence
<p><b>Public Sector Logic:</b></p> <p>The economic and political interests of the country and citizens are a priority. As such, the main objective is to meet expectations of the government and its agencies, as well as citizens by complying with national regulations, protecting entrusted funds, and achieving national goals</p>	<p>State Logic:            “When the government comes and says: ‘We are in a very tight corner. We have some budgetary deficits [...] government payrolls have not been paid or we are doing some project and we need you [PenFund] to come and give us some money. Will you [PenFund] come and lend us some money?’ So we [PenFund] will fill that financial gap” (Director General 2)</p> <p>Community Logic:            “[t]he investments in the real estate are usually in consonance with [PenFund] investment policy of being part of the economic development of the nation” (Local Newspaper)</p>
<p><b>Private Sector Logic:</b></p> <p>Organisation is an independent business entity, which is responsible for its own growth and the management of its (financial) performance through the development of various management practices. The logic is inextricably linked with organisation aspirations to increase its efficiency and succeed in a competitive environment. Moreover, according to this logic the interest of contributors comes first and therefore entrusted funds should be invested in high-yielding IORs.</p>	<p>Corporate Logic: “and last but not the least, appropriate technology would be procured and used judiciously so as to keep the Trust [PenFund] competitive in this very challenging market.” (Financial Report, 2013)</p> <p>Market Logic: “[PenFund’s] investments are made on the basis of the return on investment, absolutely! I can guarantee you that.” (Director General 1)</p>

Furthermore, during the data analysis, the researcher identified specific organising principles of the multiple logics, such as source of authority, informal control mechanisms, basis of norms, logic of investment, etc., (Thornton et al., 2005; Thornton et al., 2012) in WSSAC’s

<sup>1</sup> However, the logics identified in the literature were conceptualised as “legalistic-bureaucratic logic” and “managerial logic”, rather than the public sector and the private sector logic.

<sup>2</sup> These are just exemplary as more evidence manifesting the institutional complexity faced by PenFund and its impact on PenFund intra- and inter-organisational practices will be provided in the current and two following Chapters.

pensions field and in the practices of PenFund and its actors; thus PenFund can be defined as a hybrid organisation. These characteristics were organised into those relating to the public sector logic and the private sector logic<sup>1</sup> and are juxtaposed in Table 5.2.

*Table 5.2 Organising Principles of the Public Sector and the Private Sector Logics<sup>2</sup>*

Organising principles	Public Sector Logic	Private Sector Logic
<b>Key values</b>	security/safety, legality, accountability, loyalty, empathy, bureaucracy, politicisation	efficiency, performance orientations/yield, calculations & measurement, prudence, competition
<b>Forms of ownership</b>	Public (Pension fund owned by contributors)	Private (Pension fund as a business)
<b>Organisation form</b>	Legal bureaucracy	U-form
<b>Source of authority</b>	Government regulations and policies Commitment to community values and ideology	Board of Trustees and Senior management Organisation policies Board of Directors and Shareholder activism in IORs
<b>Source of Identity</b>	Pension fund as an integral part of the state bureaucracy Emotional/personal connection to community	Pension fund as an autonomous corporate body
<b>Basis of Norms</b>	Citizenship in (being part of) community	Self-interest Employment in the organisation
<b>Basis of Strategy</b>	Following guidelines and policies developed by the state Increasing community good	Increase size of organisation Increase returns through the diversification of investment portfolio Development of accounting, management and control practices
<b>Basis of Mission</b>	Attain economic and social goals of the community	Build a reputation and position in pensions field through development/growth
<b>Source of Legitimacy</b>	Social interest of the community Economic and political interest of the state	Position of organisation in the pensions field
<b>Formal control mechanism</b>	Enforcement of government legislation	Board of Trustees Management authority Enforcement of organisation policies and international regulations, e.g. IFRS
<b>Informal control mechanisms</b>	Visibility of action Backroom politics (the government & political interference)	Organisation culture
<b>Logic of exchange</b>	Political power Kinship	Best offer
<b>Logic of investment</b>	Capital committed to public policy and socially targeted investments	Capital committed to commercial returns

The content of Table 5.2 is the result of the analysis conducted for the current thesis. However, the way in which organising principles of certain logics, presented in Table 5.2, are

<sup>1</sup> Relevant sub-codes were developed for each characteristic, see Appendix 4.7 Coding Scheme.

<sup>2</sup> The categories for Organising Principles were adopted from Thornton et al. (2005) and Thornton et al. (2012).

encompassed in PenFund and enacted by its purposeful organisational actors, thereby shaping its inter-organisational practices, will be discussed throughout this and the two following Chapters.

#### **5.4.1.2. *An Historical Analysis***

Traditionally, and until recently, there was no need for national pension funds, such as PenFund in WSSAC, as the extended family was the institution that provided support when family members become old and/or at risk of economic deprivation. For those aging without a family, the local community (with its institutions of kinship and respect for elders<sup>1</sup>) was responsible for the provision of support. However, with the expanding population and increasing migration, caused by the economic reforms and globalisation<sup>2</sup>, traditional institutions have been disrupted. As such, it can be argued that before these reforms the society of WSSAC was an inter-institutional system made up of institutional systems, such as family, religion, community and the state, and was dominated by the corresponding institutional logics. However, with the changes mentioned above, the country has started to shift from a socialist-oriented society towards a more modern, pro-Western society, supporting free enterprise. Therefore, institutional systems pertinent to modern Western societies (Thornton et al., 2012) have started to develop in WSSAC. This is in line with Thornton et al.'s (2012) argument that society is an inter-institutional system, which develops in stages. Societies are initially made up of institutional orders such as family, community, religion and the state, then later there follows the development of market, profession and corporation institutional orders.

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<sup>1</sup> The institutions discussed in section 5.2, for example kinship and government and political interference, have developed through the enactment of the institutional logics which are central to the existing institutional systems constituting WSSAC's inter-institutional society. Due to the fact that they have resided in WSSAC's society for a very long time they have become deeply embedded in individuals' minds and, thus, have a significant impact on the behaviour of individuals and subsequently on the behaviour of purposeful organisational actors.

<sup>2</sup> People started migrating to the cities and urban areas in order to obtain 'white collar jobs' in the multinational companies now opening subsidiaries in WSSAC, and subsequently logics, such as market, profession and corporation developed very rapidly.

Drawing on the above, new logics, namely market, profession and corporation, have started to develop. The development of these logics has contributed to the increasing need for social security provision and for a PPF, which can provide support for people who have become separated from their roots (due to migration) and, therefore, also deprived of the support previously provided by the local communities when one is threatened by economic deprivation or disability. In consequence, in the 1960's the government established a social security system (hereafter SSS) that covered all workers, i.e. workers in both public and private services<sup>1</sup>. The SSS was initiated in the form of a fund into which the contributions were paid and which offered its members a lump sum payment when they reached retirement age<sup>2</sup>. Originally, FunLumpSum was administrated by a governmental department (the Pension's Department) and the State Insurance Company. The role of the State Insurance Company was to deal with all the operational matters, such as collecting contributions and paying out benefits, whereas the Pension's Department was responsible for the administration of the available funds and for setting the laws and policies. However, the laws and policies, especially regarding the investment of the funds, were rather vague. This was because they were purposely designed to allow the government unrestricted access to the funds in order to finance the government's budget deficit, rather than to provide social security to the contributors. As a result, FunLumpSum provided a cheap source of funds for the government. This was a massive disadvantage for the owners of FunLumpSum, i.e. the contributors who included WSSAC's employees and employers. Thus, a key problem for the administrators was their inability to invest contributions in high yielding investments. In other words, the administrators were forced to enact the public sector logic in which the 'logic of investment' is to use capital for public policy, and consequently the contributions were invested in governments stocks at a low

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<sup>1</sup> Formerly, in the colonial times, the Government introduced pensions for specific groups of civil servants, i.e. pensionable officers.

<sup>2</sup> This fund will be called FunLumpSum.

(six per cent) rate of return with a long maturity date. What is more, three per cent of this six per cent return had to be used to cover the operational expenses of FunLumpSum. Due to the low return on the invested money, the high operational expenses and increasing inflation at that time, the lump sum payment at retirement age eventually became worthless. In consequence, the stakeholders, such as the contributors and the administrators, started to pressure the government to redesign FunLumpSum. Moreover, it was suggested that one of the main reasons that contributors and administrators pushed for change in FunLumpSum was to minimise government interference in the management of FunLumpSum's funds. This suggested that organisational actors wanted to disturb the extant institutional arrangements and to develop and maintain new arrangements, i.e. they engaged in institutional work<sup>1</sup> (Lawrence and Suddaby, 2006; Lawrence et al., 2011; Järvinen and Parker, 2016).

Due to the increasing pressures, which had become very strong by the early nineties, changes in pension law transformed FunLumpSum into a PPF, under which monthly payments are made to beneficiaries, and as such, PenFund was formed. This made the pension payments more adequate for the conditions prevailing in WSSAC. Moreover, following the ideas of NPM and the guidelines in the World Bank's restructuring plan (in middle eighties), the private sector logic started to emerge in the pensions field. As such, the pensions field was transformed from a homogeneous institutional field (Jay, 2013) dominated by one logic (public sector logic), to a more heterogeneous field. In response to pressures exerted by various stakeholders and to changes introduced in the pensions field, PenFund was established as an autonomous corporate body; i.e. it was no longer administered by the Pension's Department. As a result, it became

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<sup>1</sup> For a broader discussion on institutional work see Empson et al. (2013); Chiwamit et al. (2014) and Richardson and Kilfoyle (2016).

responsible for the administration and the investment of its funds. In this way PenFund' practices began to incorporate private sector logic.

Furthermore, Järvinen and Parker (2016) argues that organisations operating in institutional fields pervaded by multiple institutional logics, such as the pensions field in WSSAC, “engage in institutional work such as creating, maintaining and modifying institutions and institutionalised practices” (p. 863). In a similar way, PenFund has undertaken institutional work in order to create new institutional arrangements, e.g. ‘the corporatisation’ (Empson et al., 2013; Järvinen and Parker, 2016) of FunLumpSum. However, this will be discussed in more detailed in the following sections.

Additionally, with the transformation from FunLumpSum to PenFund, WSSAC became a member of the International Social Security Association (ISSA), which “provides access to information, expert advice, *business standards*, practical guidelines, and a platform for members to build and promote dynamic social security systems worldwide” (ISSA, 2016, *emphasis added*). The need to follow ISSA’s regulations has had an impact on PenFund’s organisational institutions. For example, the head of PenFund, formerly called the Chief of Admin, became the Director General. Although ISSA is an internationally recognised organisation, it has no authority to impose coercive isomorphism in terms of the adoption of its regulations. Thus, PenFund’s officials can choose the areas in which to apply ISSA’s recommendations. This is in line with Neu et al. (2008) who argued that “[a]lthough international organizations facilitate the diffusion of financial practices, it is important to acknowledge that the configuration of the local field influences when and how such financial practices are taken up and implemented” (p. 60). As such, the organisational actors can express their agency through the application of ISSA’s standards.

Furthermore, in the late 2000s a new pension's law, the Pensions Act, was promulgated, which implemented a three-tier pension scheme in WSSAC. According to the new law, the first two tiers are compulsory, whereas the third tier is voluntary. The first tier, which is the basic contributory social security, is managed by PenFund, while the second tier, which is a fully-funded occupation scheme, and the third tier, which is a provident fund and private pensions, are managed by private pension funds. Despite, the three-tier pension scheme, allowing for the private management of compulsory contributions, being introduced, the Pensions Act tends to be dominated by a public sector logic. For example, it forbids external (foreign) investments, i.e. the funds have to be invested locally to facilitate the achievement of national goals, in spite of the fact that external investments could bring in higher returns.

With the establishment of PenFund and the proliferation of private pension funds, the pension service, which used to operate as a governmental department under the Ministry of Finance, and therefore enacted the public sector logic, has now become a profitable business for private companies. It is explained in PenFund Assets Allocation Policy that the promulgation of the new Pensions Act resulted

[...] in some fundamental changes in the pension industry of WSSAC. [...] *a lot more consultation and competition<sup>1</sup>* will be engendered within the industry. It is in the light of these changes that the current Asset Allocation Policy is being revised *to strategically reposition the fund for optimal portfolio returns (emphasis added)*.

Drawing on the above, in order to keep up with developments and the increasing competition in the pensions field, in 2010 PenFund revised its Assets Allocation Policy to reflect the private sector logic. Moreover, PenFund introduced a new document, namely the Investment Policy and Guidelines, which provides rules regarding its SID making. Here we see that institutional

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<sup>1</sup> This recognises the increasingly competitive environment.

work does not only involve disrupting old institutional arrangement and creating new ones (cf. Järvinen and Parker, 2016), but it also involves processes which maintain the new institutions and the new institutional orders (cf. Lawrence and Suddaby, 2006; Empson et al., 2013) and provides the necessary enforcement mechanisms (cf. Greenwood et al., 2010). PenFund implemented new rules in the form of policy documents which serve as such enforcement mechanisms. The Assets Allocation Policy states that due to the promulgation of the Pensions Act, PenFund will have to:

*Compete with other pension scheme fund managers in terms of production (efficiency of process), return (performance) and investment opportunities (pipeline).*

*Face a greater degree of scrutiny (sometimes hostile) from domestic critics. We expect this to continue after the implementation and gestation of the new scheme*

*Compete for the attraction and retention of competent professionals to ensure efficiency in the management of the investment portfolio (brackets in original, emphasis added).*

Drawing on the above, the private sector logic can be seen in the documents issued by PenFund, which implies that PenFund attempts to adopt a new business identity. However, the current vision and mission statements and its key values include a mix of both the public and the private sector logics. For example, PenFund’s mission statement says that PenFund mission is “to provide cutting-edge income replacement schemes through improved business oriented methods” for the benefit of WSSAC’s citizens (Financial Report, 2013)<sup>1</sup>, which reflects both the public and the private sector logics.

Furthermore, the pensions field is nowadays fragmented<sup>2</sup> (Pache and Santos, 2010; Greenwood et al., 2011) with various actors, i.e. stakeholders, such as ISSA, NPCA, the government,

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<sup>1</sup> The detail of the source are available on request.

<sup>2</sup> “Fragmentation refers to the number of uncoordinated constituents upon which an organization is dependent for legitimacy or material resources. By implication, a highly fragmented field is one in which several institutional logics are separately represented by uncoordinated organizations or referent audiences.” (Greenwood et al., 2011, p. 337).

contributors and fund managers, all enacting different institutional logics encompassing differing (or even competing) organising principles and objectives. The numerous meanings attributed to social security and the various functions attributed to pension funds have contributed to the development of the active and complex institutional demands faced by pension funds. However, in comparison to private pension funds operating in the pensions field, PenFund has a more complex task in satisfying its stakeholders. Aside from the requirement to generate yields at a commercial rate (a private sector logic), it also must contend with (1) government attempts to direct its investments to the governments' own purposes (public sector logic) and (2) the demands of its owners (contributors) to invest in socially targeted investments (public sector logic). All these pressures can impede broader operations, such as the development of IORs. According to the institutional logics approach, this implies institutional complexity<sup>1</sup> (Greenwood et al., 2010; Besharov and Smith, 2014), i.e., a pluralistic institutional environment (Kraatz and Block, 2008) in which multiple (competing) institutional logics exist and give rise to diverse expectations.

Additionally, the data analysis has revealed that the pensions field is centralised<sup>2</sup>. The field is regulated by the Pensions Act, issued by WSSAC's government, and this places restrictions on the investments of PenFund and also on the privately managed pension funds. Compliance with the Pensions Act is monitored by a field level actor (Greenwood et al., 2011), namely NPCA, which is responsible for issuing guidelines for the investments of various pension funds operating in the field and it advises the government on related issues (see Appendix 5.1).

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<sup>1</sup> It is worth remembering at this point that, "the nature and extent of institutional complexity faced by" PenFund (Greenwood et al., 2011, p. 334) is affected by the structure of the institutional fields in which it operates. However, the field-level factors are not the only factors that influence the way in which organisations respond to various pressures arising from institutional complexity. The other factors include organisational attributes. As such, in the case of PenFund – its public ownership intensifies the pressures on PenFund arising from institutional complexity.

<sup>2</sup> "[T]he extent of centralization, concerns the hierarchical power structure of institutional constituents... The consequence of centralization is the standardization of organizational forms and a reduction of the complexity to which they are exposed" (Greenwood et al., 2011, p. 337).

Although, NPCA is a field-level actor, the interviewees suggested that the guidelines regarding PenFund's SIDs specified in the Pensions Act are so broad that NPCA is not able to reduce the complexity of the environmental pressures to which PenFund is exposed. The Pensions Act states that PenFund "may invest the pension fund assets in units of an investment approved by the Board of Trustees", which is the governing body of PenFund. Therefore, despite being field-level actor, NPCA does not have an influence on how the institutional logics are enacted by purposeful organisational actors. Furthermore, the NPCA is a relatively 'new' organisation and has not yet explicitly established its monitoring practices. As explained by one of PenFund's former Directors:

To tell you the truth, they [NPCA] have just started. They haven't really established themselves properly yet, so they are in the process of making themselves very relevant. So I think maybe give it four years and they will come in and do an inspection (Director General 1).

This is because the pensions field in WSSAC is still emergent and, therefore, uncertainty is inherent in its institutional arrangements (Greenwood et al., 2011). More precisely, "constitutive institutional rules defining legitimate activities, membership, and boundaries remain ambiguous, permeable, or are not widely understood" (Greenwood et al., 2011, p. 336) by the various existing stakeholders in the pensions field.

The next section explains the changes in the portfolio brought about by the development of the institutional field and the introduction of a private sector logic into to the pensions field which was triggered by the formerly discussed reforms. This lays more foundation for the discussion of PenFund's ION development process.

#### 5.4.2. The Enactment of Private Sector Logic in the Investment Portfolio of PenFund

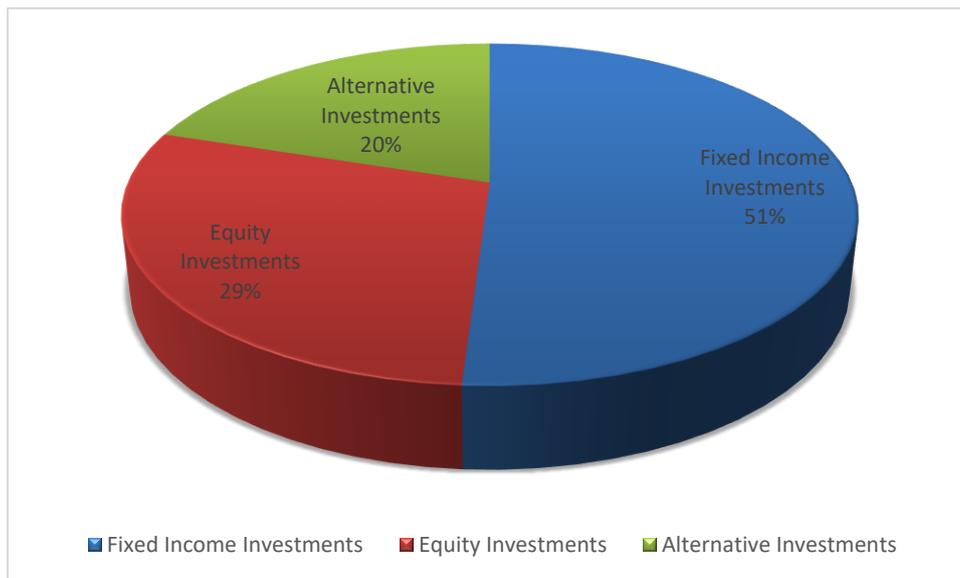
The transformation of FunLumpSum into PenFund and the introduction of the new pension's law in WSSAC were accompanied by changes in PenFund's investment portfolio. In order to operate successfully and provide its owners with returns (pensions) for their contributions, PenFund was expected to incorporate practices embedded in the private sector logic into their operations and, in particular, into its portfolio and SIDs. Therefore, the single-asset-class portfolio was converted into a multiple-assets-class portfolio (it was hybridised). This 'new' portfolio must satisfy the needs of all the main stakeholders, including the government, the contributors and PenFund employees. These stakeholders have different rationalities which are founded on various institutional logics. As a result, they impose different, and sometimes even conflicting, demands on PenFund. More precisely, the investments are expected to bring commercial rates of return, while at the same time being socially orientated and satisfying the needs of the government. As such, apart from the classic, Fixed Income Investments (government bonds) built on a public sector logic and aimed at the fulfilment of government objectives, new asset classes, such as Equity Investments and Alternative Investments, have been introduced into the investment portfolio. Following from this, it can be argued that the diversification of the portfolio contributed to the incorporation of the private sector logic, whereby the 'basis of strategy' is to increase returns through the diversification of investment portfolio into the PenFund's practices. In this way, PenFund investment portfolio became a 'hybrid practice' (see e.g. Miller et al., 2008; Smets and Jarzabkowski, 2013; Battilana and Lee, 2014), which reflects both the private and the public sector logic, and subsequently can help PenFund to maintain its hybrid character (cf. Goodrick and Reay, 2011; Smets et al., 2012; Dai et al., 2016).

Furthermore, in order to meet the expectations of its various stakeholders, PenFund has issued two documents, namely its Asset Allocation Policy and Investment Policy and Guidelines<sup>1</sup>. Following the rules set out in these documents should ensure a well balanced portfolio which will enable PenFund to meet the expectations of its various stakeholders. As such, the documents are guided by PenFund's objectives which are built on both public sector and private sector logics. First of all, the investments and subsequent IORs must ensure the viability of the scheme. In order to achieve this objective the following sub-objectives have to be met: (1) achieve an adequate yield, i.e. a commercial rate of return, (2) ensure the safety of the chosen investments by maintaining a diversified portfolio, (3) ensure the liquidity needed to meet PenFund's obligations, which requires a spread of investments by duration. In addition, the second objective is to provide development-oriented investments which ensure both economic/social utility and harmonisation with national objectives. While the first objective is based on the private sector logic, the second objective implies that it based on the public sector logic. This second objective recognises that PenFund operates in a developing country and that the funds available for investments are the collective savings of the country and therefore should be invested, not only to yield the highest possible returns, but also to contribute to developing the country's infrastructure and the provision of basic services, thereby improving the general standard of living in the country. The composition of the investment portfolio of PenFund is presented in Figure 5.1.

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<sup>1</sup> These policy documents were developed in-house and then approved by the Board of Trustees. The Assets Allocation Policy was issued in 2003 and then revised in 2010, while the Investment Policy and Guidelines was issued in 2010.

Figure 5.1 Investment Portfolio of PenFund



According to Figure 5.1, the portfolio is composed of Fixed Income Investments<sup>1</sup> (hereafter FIIs), Equity Investments<sup>2</sup> (hereafter EIs) and Alternative Investments<sup>3</sup> (hereafter AIs). Despite the implementation of the private sector logic, the FIIs still constitute the most significant part of the portfolio. This, to some extent, contributes to the fact that PenFund remains embedded in the public sector logic.

In order to analyse the IORs and the ION, an examination of the entire portfolio is not necessary. Although AIs seem a relatively small part of the entire portfolio<sup>4</sup>, they are very important in balancing risk and provide an opportunity to study an ION in detail. Additionally, after the preliminary analysis of the research evidence, the researcher learnt that the vast

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<sup>1</sup> FIIs include Treasury Bills, Bonds and (Fixed) Bank Deposits.

<sup>2</sup> EIs include investments in both listed (on WSSAC stock exchange) and unlisted companies

<sup>3</sup> AIs include Real Estate Investments (hereafter REIs) and Socially Targeted Investments (hereafter STIs), i.e. investments undertaken for social reasons usually also in the real estate sector. However, AIs, in contrast to FIIs and EIs, can take various forms. They can be established in the form of IORs, such as JVs, but they can also include minority or majority equity holdings in the companies and wholly owned subsidiaries.

<sup>4</sup> Given the large size of the portfolio, which is valued at approximately £150 million (value was converted from the local currency), 20% of the portfolio amounts to over £30 million. Thus, in actual terms, the value of AIs and the IORs is still high for a developing country.

majority of PenFund's IORs are established within AIs and, more precisely, in the real estate sector<sup>1</sup>. Therefore, it was decided to focus on AIs in the real estate sector, as an example of an ION. Moreover, it has been argued that the real estate sector has “specific multilevel and inter-organisational characteristics” (Bygballe and Ingemansson, 2014, p. 512). i.e., “the industry involves many actors and interactions at multiple levels” (ibid). This means that operations performed in the sector involve various actors with different logics (Bygballe and Jahre, 2009). As such, real estate investments typically comprise “a large set of contracts and *a complex inter-organisational setting* in which the different actors need to interrelate to complete the project” (Havenvid et al., 2016, p. 369, *emphasis added*), thereby providing a fruitful context for the current study.

Furthermore, according to the institutional approach, the real estate sector could be defined as an institutional field. As such, the IORs established by PenFund in the real estate sector operate at the intersection of various institutional fields, namely real estate field and the pensions field<sup>2</sup>. However, after the societal-level “institutional logics pass through institutional fields...[they] are then filtered by various attributes of organisation itself” (Greenwood et al., 2011, p. 339). As such, organisational attributes “act as filters which influence the way the multiple logics which characterise one organisational field are encompassed in organisations” (Amans et al.,

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<sup>1</sup> In the current study investment in the real estate sector includes both the construction and the sale/rent of the buildings.

<sup>2</sup> As explained in Chapter three, each institutional field is pervaded by field-level logics which “are nested within higher-order societal institutional logics” (Greenwood et al., 2008, p. 21). The field-level institutional logics “prescribe what constitutes legitimate behaviour in a particular institutional field and provide taken-for-granted templates for what goals are legitimate and in what manner they should be pursued” (Carlsson-Wall et al., 2016, p. 47). For example, it is argued that within the real estate sector, more precisely in the construction industry, there has developed an “economic logic of construction” which prescribes “the division of tasks – and how to pursue and accomplish economisation” (Bygballe et al., 2013, p. 115). Therefore, PenFund inter-organisational practices are expected to reflect not only the public sector logic and the private sector logic which pervade pensions field, but also the field level logics pertinent to the real state field.

2015, p. 52). In order to explore the impact of the logics that shape the ION formation processes and its IOMCs, the next sections will discuss the organisational attributes of PenFund.

### **5.5. Attributes of the Focal Organisation**

Following the implementation of the private sector logic, PenFund is no longer a governmental organisation, however, it is not a commercial business either. The Manager of Corporate Law Department stated:

[PenFund] is not a Government appendix, but it is public. It is a bit weird to describe. We are not private, we are not government, we are public. It [PenFund] has been made for all of us; for all for all WSSAC workers [...] so we do things that are of immediate benefit to the worker, for example, the worker can live in a house that we built. Here, in WSSAC, people want to get things for the money that they contribute asap, they don't want to wait, they don't understand long-term investments. But, to survive, we need to make money to pay the staff and cover all the operational costs. On the top of that we need to pay out pensions and other benefits. So, as you can see, these two don't work well together, I mean serving workers and making money.

Following from this it can be argued that, at the same time, PenFund must meet various expectations, such as the expectations of the workers to provide them with immediate benefits, as well as yielding commercial rates of returns to pay out pensions and to cover operational costs of the business. This means that in order to legitimatise its behaviour, PenFund must meet demands of its various stakeholders which are guided by different institutional logics<sup>1</sup>. As such, PenFund exhibits the organising principles of various institutional logics, i.e. it is a hybrid organisation.

PenFund organisational attributes reflect its hybrid character. The attributes of an organisation include its ownership, structure, governance, and organisational identity (Greenwood et al., 2011). Multiple interviewees explained that PenFund is a quasi-government organisation.

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<sup>1</sup> Thus, the demands of different stakeholders are not always consistent with each other.

Quasi-government organisations have been defined in the literature as hybrid organisations (Koppell, 2003) which resemble private companies in structure, but their funding, ownership and control structures are in many respects public. The Departmental Manager of Portfolio Performance Measurement and Monitoring explicated:

The fact that we are quasi-government institution helps because there are areas that the government can help us with. If we were private, we couldn't do certain things. For instance in terms of tax, our returns are not taxed because we are set up by government, it is for a particular purpose to manage pensions and as so our returns are not taxed. But, if we were private business our returns would be taxed so those are some of the advantages. Of course we have government support in terms of what we do. Contributors have to pay their contributions or we can send them to court if they don't. But the structures we have are structures that would work in a private sector as well. Of course as a private business managing pensions you need your investments' managers, you need operations team etc. So some of our structures, of course, would work in a private pension fund.

Drawing on the above, PenFund is a hybrid organisation which encompasses a combination of public sector and private sector organising logics (for a similar argument see Jay, 2013). Furthermore, these attributes influence how PenFund experiences institutional complexity and how it responds to the pressures arising from this institutional complexity. The attributes of PenFund are discussed below.

#### 5.5.1. Ownership

It has been stressed in the literature that the ownership attribute is very important for understanding SIDs in a developing country (see Elmassri et al., 2016). Furthermore, in the case of public organisations, such as PenFund, it is necessary to consider attributes such as ownership, or more precisely the funding position, as it can lead to differences in the way organisations experience and react to the pressures arising from institutional complexity in the institutional field (Amans et al., 2015).

In order to establish the ownership status of PenFund, the researcher identified entities which supply its funds and who are ultimately responsible, or would incur losses if PenFund collapses. This leads to the conclusion that the owners of the PenFund are workers of all categories on whose behalf contributions are paid<sup>1</sup>. In particular, governmental resources are not used to fund the operations of PenFund. Money which is paid to PenFund by the government is solely in its capacity as an employer. Therefore, the role of the government in PenFund's operations is custodial, i.e., it established NPCA to monitor PenFund and demands accountability from the Board of Trustees (hereafter BoT) so that contributors' funds are protected<sup>2</sup>. Nevertheless, it was explained by interviewees that, despite the fact that the government neither owns PenFund, nor directly contributes to its funding, its interference, especially in SIDs and IORs, is still high. This is because, prior to the introduction of the private sector logic, PenFund (known as FunLumpSum at that time) was 'owned' by the government. It was administered by the pensions department under the Ministry of Finance and government officers had unrestricted access to its assets. As such, they were able to use the funds to finance government deficits. Such an approach was accelerated by the fact that government interference is widely accepted in the country. In addition, the government has a majority representation on the BoT and appoints PenFund's Director General (hereafter DG). Therefore, the DG owes his/her position and, hence his/her loyalty, to the government. As one of the former DGs explained:

When the government comes and says: 'We are in a very tight corner. We have some budgetary deficits [...] government payrolls have not been paid or we are doing some project and we need you [PenFund] to come and give us some money. Will you [PenFund] come and lend us some money?' So we [PenFund] will fill that financial gap (DG 2).

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<sup>1</sup> The funds are contributed by both the employers and the workers.

<sup>2</sup> The government's demand for the accountability and the emphasis placed on the protection of entrusted funds reflect key values emanating from the public sector logic.

Following from this, it can be argued that governmental demands impede PenFund attempts to incorporate the private sector logic. This is because some of the governmental officials do not see a difference between PenFund's funds and governmental revenues.

Furthermore, because it is funded by the country's workers, public pressure for social investment is particularly high. Interviewees explained that the public (as the contributors) exert a lot of pressure for socially oriented investments such as industrial estates, affordable housing and hospitals. However, the workers themselves expect PenFund apartments to be cheaper than the similar standard apartments of private developers. This is because WSSAC citizens associate PenFund with the government and public 'free' money. Workers who are paying contributions to PenFund believe that if they live in apartments built and owned by PenFund, they do not need to pay the rent as they have 'funded' the construction of these buildings. Therefore, after a period of living in the apartments many of them tend to stop paying rent. As a consequence, PenFund decided to limit social investments to a maximum of five percent of its portfolio<sup>1</sup>. Following from this, it can be argued that public financing, i.e. ownership, increases the pressures arising from institutional complexity.

#### 5.5.2. Organisational Structure

The introduction of the private sector logic into the pensions field contributed to the modification of PenFund's organisational structure. Over the years, PenFund's organisational structure has evolved into a unitary organisation form (U-form) which consists of specialised units (divisions) where similar activities/tasks are grouped together. This implies the enactment of the private sector logic which leads to more efficient task allocation (compared to the organisational structure of FunLumpSum which operated as a 'legal bureaucracy', i.e. a

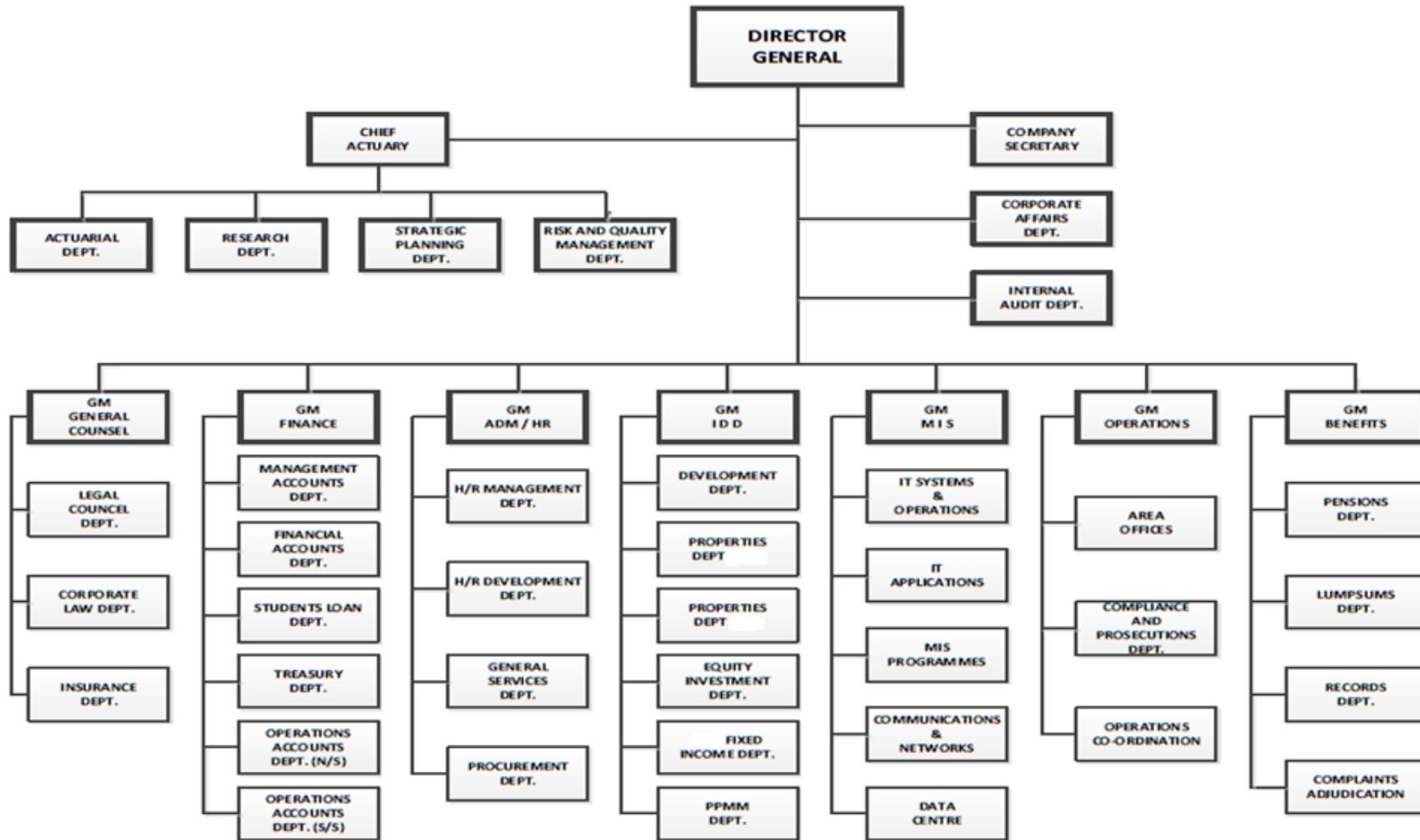
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<sup>1</sup> This means that STIs can be a maximum of five percent of AI.

bureaucratic governmental organisation under the Ministry of Finance without any specific organisational structure). As a result, PenFund's current organisational structure, to some extent, resembles private organisations.

PenFund's U-form organisational structure is composed of eight Divisions, namely Investment and Development Division, General Counsel Division, Finance Division, Operations Division, Management Information Systems Division, Administration and Human Resources Division, Benefits Division, and Medical and Special Projects Division, each of which is headed by a General Manager (hereafter GM) who reports to the DG. Each division is composed of various departments that are managed by Departmental Managers (hereafter DMs), who are responsible to the GMs of the relevant Division. Apart from the eight aforementioned divisions, PenFund also has two departments which do not belong to any of the Divisions, namely the Corporate Affairs Department and Internal Audit Department. In addition, PenFund employs a Company Secretary and a Chief Actuary who is responsible for the work of four departments that are not part of any other Division. The Chief Actuary acts as the GM of these four departments. PenFund's Executive Board is made up of all the GMs plus the Chief Actuary, and is headed by the DG. PenFund's U-form organisational structure is presented in Figure 5.2.

Figure 5.2 Organisational Structure of PenFund



This structure allows for effective task allocation and increases the efficiency of PenFund. As such, not all the divisions are involved in SIDs and the associated processes. Therefore, not all of the organisational actors engage with the IORs<sup>1</sup>. The divisions involved in SIDs and, in particular, in the investments leading to the formation of IORs, are the Investment and Development Division (hereafter IDD), the General Counsel Division (hereafter GCD), the Finance Division, the Chief Actuary and the DG.

Although, as per the private sector logic, the senior management and the BoT is ‘the source of authority’ and ‘the formal control mechanism’ in PenFund, ‘the informal control mechanisms’ enacted in PenFund, especially (backroom) politics, are pertinent to the public sector logic. This is because of the implied political character of the DG’s position. The former DG explained “the Director General’s position is a political appointment of some sort. So you come and go on the whim of whoever is President. [...] Government tends to appoint those that share the same political ideologies” (DG 2). Consequently, it is expected that the DG, who is also the PenFund’s representative on the BoT, represents the government’s interests more than the interests of the PenFund. DG 2 explained:

The Director General’s job is very, very transient. You are there [in PenFund] but, you can be gone in a year. It is not a permanent job. You come in on a contract. You are not a permanent employee. So if let’s say two years from now, the government doesn’t want you, you are gone.

As such, the character of the DG’s role is inconsistent with the rationalities of the private sector logic. Although PenFund has become an autonomous corporate body, with formal control mechanisms including BoT and senior management, which implies the enactment of the private

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<sup>1</sup> Some of the actors might be engaged with the SIDs, but not with IORs as such. For example Fixed Income Investments do not lead to the formation of IORs, and therefore organisational actors from the Fixed Income department do not engage with IORs.

sector logic, the government still has significant control over PenFund's operations. This is because the relative power of various organisational actors can impact on the degree to which different logics are enacted within the organisation (Greenwood et al., 2011). As the DG is a political appointment, and the major source of authority in PenFund, the enactment of the private sector logic is impeded. Thus, PenFund remains deeply embedded in the public sector logic, which determines its identity as a public (governmental) organisation.

### 5.5.3. The Governance of PenFund – Board of Trustees (BoT)

The governance of PenFund is exercised by the BoT. In the Financial Report (2013) it was stated that PenFund acknowledges the importance of, and is committed to, the principles of good corporate governance, which include transparency and accountability. The BoT is responsible for ensuring that the highest standards of corporate governance are achieved in directing and controlling PenFund's business (Financial Report, 2013). As such, the BoT controls policy direction and has to approve all the major decisions undertaken by PenFund, including SIDs and IOR related decisions. More precisely, the BoT is accountable for safeguarding the assets of PenFund (entrusted funds) and taking reasonable steps to prevent and detect fraud and other irregularities. Without permission of the BoT, PenFund cannot undertake any investment or form any IOR. The fact that the BoT is a source of authority and the formal control mechanism may seem to imply the private sector logic. However, as explained above, the responsibilities of BoT reflect the characteristics of the public sector logics. However, in order to ensure the enactment of the private sector logic (the development of accounting practices), the BoT is responsible for the preparation of PenFund's financial statements. To provide full disclosure, International Financial Reporting Standards are followed and adequate internal controls, including internal audit, ensure the reliability of the financial statements.

Nonetheless, the BoT includes representatives from the government, employers and workers. More precisely, the BoT is organised as follows: the Chairman of the Board is a government representative, and there are two people nominated by the President, one by the Ministry of Finance, two by the Employers Association, four by Organised Labour, one by the National Pension Association, and one by the Security Services, as well as PenFund's DG. In this way, the BoT comprises mainly representatives who are prone to enact the public sector logic. As one of the former DG's explained:

But of course there was always a challenge because on the Board of [PenFund] were also percentages of labour who were very much against investing monies outside WSSAC as in their view those monies could be used in WSSAC to create jobs. They didn't appreciate the fact that sometimes you also need to diversify your risk portfolio (DG 1).

Additionally, a former trustee explained that the majority of the representatives do not have actuarial backgrounds and therefore it might be difficult for them to make SIDs. However, the DG usually has some actuarial knowledge and knows PenFund from the inside. Consequently it is easy for him/her to convince the BoT of his proposals. Since the DG owes his position to the government, he tends to follow government directions. According to the Pensions Act, members of the BoT, who are governmental representatives, are selected by the President. Therefore, the nature of a trustee's position is similar to that of the DG, i.e. trustees can come and go with changing governments. Moreover, as a former Trustee explained: "The way our politics works here [in WSSAC], unfortunately, is so partisan that it is difficult to get somebody from the other party to work for you". Therefore, in general, the trustees appointed by the President have the same political ideologies as the ruling government. Although the BoT does not report directly to the government, the trustee who is nominated by the Ministry of Finance informs the Ministry about PenFund's activities "[...] so the government knows what is going on" (Former Trustee). To summarise, the governance of PenFund is exercised by the BoT

which includes representatives of the government and workers community, e.g. labour association representatives. As such, the BoT is likely to enact the public sector logic.

#### 5.5.4. Organisational Identity

By introducing changes that influence its organisational goals, strategy, practices and identity, PenFund has to some extent made an institutional shift from the public sector logic to the private sector logic. This institutional shift/change can be explained as a process of “disturbing old institutional arrangements and creating new ones” (Järvinen and Parker, 2016, p. 862), which requires “institutional work to negotiate the tensions arising from conflicting institutional logics” (ibid). During the institutional shift, various World Bank initiatives and ISSA standards have been implemented in specific areas (e.g. expanding the portfolio into multiple asset class and publishing the financial reports in accordance with IFRs standards and changing the name from the Chief Executive to Director General). Moreover, in order to overcome challenges imposed by the introduction of the Pensions Act and to ‘negotiate the tensions’ emerging from the institutional complexity, PenFund has introduced an innovative strategy, namely a ‘New Business Process’, which was supposed to increase its efficiency in collecting and handling the contributions and in managing the contributors’ data. Part of this strategy was the computerisation of PenFund’s operations and the introduction of the new pensions software. The shift to the private sector logic was emphasised in the Financial Report (2013):

Action has already started in making sure that staff [of PenFund] gets the necessary training to carry out their mandatory function. By this we mean there would be *prudent investment* of the funds we handle so that *maximum returns would be generated*; Human Resource Development of staff and last but not the least, appropriate technology would be procured and used judiciously so as *to keep the Trust [i.e., PenFund] competitive* in this very challenging market (*emphasis added*).

However, despite this assurance, which reflects the ‘key values’ of the private sector logic, PenFund remains deeply embedded in the public sector logic, which determines its identity as a governmental organisation. This is because, although the private sector logic has been implemented in the pensions field, the public sector logic with its traditional institutions, such as government and political interference, still pervade the pensions field. Organisational attributes, such as organisational structure and governance, although implying the enactment of the private sector logic, still allow the public sector logic to penetrate PenFund. As such, PenFund responds to the implementation of the private sector logic by filtering it through the rationalities of the public sector logic.

In summary, this section illustrated how PenFund’s organisational attributes ‘filter’ the institutional logics which shape its operations. These organisational attributes reflect PenFund’s hybrid character and, at the same time, add to the institutional complexity experienced by PenFund. Although they appear to be a result of the enactment of the private sector logic, they allow public sector pressures to be exerted on PenFund’s management. As such, despite the development of the WSSAC’s inter-institutional system and subsequent introduction of the private sector logic into the pensions field, the public sector logic and institutions which are deeply embedded in WSSAC’s society, e.g. governance and political interference, still affect the operations of PenFund. Therefore, in comparison to other organisations operating in the pensions field, such as private pension funds, PenFund has a more difficult task in enacting the private sector logic.

## 5.6. Summary

The current Chapter has outlined the context of the case to support the explanations of the research findings which are provided in this and the next two Chapters. Then an analysis and discussion of PenFund's attributes and the development of its institutional and competitive environment were presented. FunLumpSum, later PenFund, was a public sector organisation, which operated under the Ministry of Finance and then developed into a quasi-government organisation which is hybrid in nature. The development of the WSSAC's inter-institutional society, and subsequent changes in PenFund's institutional and competitive environment, were prompted by introduction of the private sector logic and the commercialisation of the pensions field, which is evident in PenFund's organisational attributes. Furthermore, due to the changes in the pensions field, PenFund currently operates under institutional complexity and engages in institutional work to mediate tensions which this creates. More precisely, the pensions field was previously dominated by the public sector logic and associated institutions, such as government and political interference. As such it was a homogeneous institutional field. However, the emergence of the private sector logic led to additional pressures being exerted on PenFund and, therefore, it is argued that PenFund operates under conditions of institutional complexity, i.e. it now operates in a heterogeneous institutional field. As a response to the pressures arising from this institutional complexity, PenFund deploys organising principles emanating from various logics. For example, PenFund's values, objectives, and mission and vision statements are guided by organising principles which are not always consistent with each other. In order to keep its various stakeholders satisfied PenFund must maintain its hybrid character. Therefore, it incorporates various logics into its practices, thereby making them hybrid practices. For example, its investment portfolio can be defined as a hybrid practices as it reflects organising practices of different logics. In the next Chapter it will be explained how the development of various IORs and ION helps PenFund to maintain its hybrid character.

Furthermore, the analysis shows how the growing importance of the private sector logic has led PenFund to try to adopt a private organisation identity and to change its identity from that of a governmental organisation. However, although PenFund has developed into an autonomous corporate body, it is still receptive to the public sector logic and the institutions which pervade WSSAC, such as governmental and political interference. This impedes the enactment of the private sector logic by the purposeful organisational actors and subsequently shapes the SID making process. PenFund's response to the implementation of the private sector logic has been filtered through the rationalities of the public sector logic and this has had an impact on the inter-organisational processes of PenFund, as will be discussed in more detail in the next two Chapters.

The next Chapter analyses how the emergence of the new institutional logic enabled the development of PenFund's ION and how this ION was formed under the conditions of institutional complexity. Moreover, the following Chapter also explains how purposeful organisational actors' interpretations of the various pressures exerted on PenFund have shaped its inter-organisational practices.

## **CHAPTER SIX: FORMATION OF THE IORs AND THE ION UNDER THE CONDITIONS OF INSTITUTIONAL COMPLEXITY**

### **6.1. Introduction**

The previous Chapter discussed the changing institutional environment of PenFund, which led to its hybridisation. Moreover, the changing institutional realm led PenFund to engage in institutional work, which resulted in the introduction of new institutional arrangements within PenFund. For example, this institutional work has resulted in changes to PenFund's organisational attributes, such as its organisational structure, which reflects PenFund's current hybrid character. Furthermore, organisational attributes which filter field-level institutional logics into the case organisation, thereby shaping PenFund's response to the pressures arising from the institutionally complex environment within the pensions field, were explained in the previous Chapter.

Drawing on the above, the former Chapter provided the basis for a discussion of the impact of the multiple institutional logics in the pensions field on PenFund's IORs and ION formation. The findings in this Chapter explain how the appearance of new institutional logics and the subsequent changing relationship between the multiple institutional logics permeating the pensions field enabled the emergence of the ION of PenFund and provided the impetus for the evolution of this network. Furthermore, it is also explained how the formation of the ION, which embeds various IORs, enables PenFund to maintain its hybrid character by meeting the demands<sup>1</sup> of the various stakeholders who are guided by different logics.

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<sup>1</sup> Institutional logics in the institutional environment of an organisation give rise to various expectations towards the organisation. For example, the emergence of private sector logic in the pensions field created new expectations towards PenFund, e.g. to become more efficient. Furthermore, these expectations led to the development of various demands on PenFund from its stakeholders' in the institutional environment.

The findings reported in the following empirical Chapter explain how these multiple (competing) institutional logics shaped the IOMCs deployed within the ION. In this manner, the current study explains how PenFund manages and coordinates the multiple IORs embedded within its ION by deploying various IOMCs. Additionally, to understand these IOMCs, this case study examines how the focal organisation has developed its investment portfolio into an ION, by explaining how the focal organisation formed its IORs as a result of SIDs and how it has connected previously unconnected IORs (i.e., how the ION evolved). These explanations are derived from the main themes and patterns that emerged during the field-work and the analysis of the empirical evidence.

The remainder of this Chapter is structured in four sections. The next section (6.2) provides some background information on the ION of PenFund in the real estate sector as well as a simplified view of this ION. Then, in the subsequent section (6.3) the formation of IORs in real estate as a response to the introduction of the private sector logic and as an element of the institutional work performed by PenFund is explained. In addition, the impact of the practices pertinent to the real estate field on these IORs is also highlighted in this section. In the penultimate section (6.4), the ION formation processes and its current structure is examined. The ION formation process is also explained through the lens of institutional logics. More precisely, the impact of multiple logics, which were identified in the previous Chapter, and which are enacted by organisational actors, is discussed. Moreover, the current section also elucidates how the development of various IORs and ION helps PenFund to maintain its hybrid character. Finally, the last section (6.5) provides a summary of the Chapter by highlighting the key issues and themes discussed in this Chapter.

## **6.2. The ION of PenFund in the Real Estate Sector**

Before the NPM reforms and the World Bank initiatives were introduced in WSSAC, PenFund was a governmental organisation. At that time, the government tended to use the funds of PenFund for various purposes that seemed to compromise the objectives of the pension fund. To minimise the ‘misuse’ of funds and other issues arising from the existing institutional arrangements in WSSAC, more private sector practices were adopted in the pensions field. Put another way, as a result of the NPM reforms, accompanied by the World Bank initiatives, the private sector logic has been implemented in the pensions field. Due to the existence of the multiple institutional logics in the pensions field various pressures are exerted on PenFund, which must be satisfied to ensure that the pension scheme is actuarially sound and perceived as legitimate, i.e. PenFund must legitimise its existence to external actors, such as, the government and its owners. More precisely, PenFund is required to undertake investments which are financially viable (private sector logic) as well as socially targeted (public sector logic). As a result, PenFund’s investment portfolio is no longer limited to Fixed Income Investments (FIIs), such as Government Securities, but also includes Equity Investments (EIs) and Alternative Investments (AIs), the latter being the subject of this case study.

In order to examine how PenFund manages its multiple intertwined IORs under institutional complexity, the AIs established by PenFund in the real estate sector are used as an illustrative case of an ION. The real estate portfolio has been selected because the AIs in the real estate sector include a variety of investments. More accurately, as will be argued later, they are the result of the enactment of both the public and the private sector logics. Therefore, they are structured in diverse forms of IORs, such as JVs, controlling equity interest, minority interest and direct ownership, and different IOMCs are deployed within each of them. As such, the investment portfolio of PenFund in the real estate sector can be defined as an ION because, as

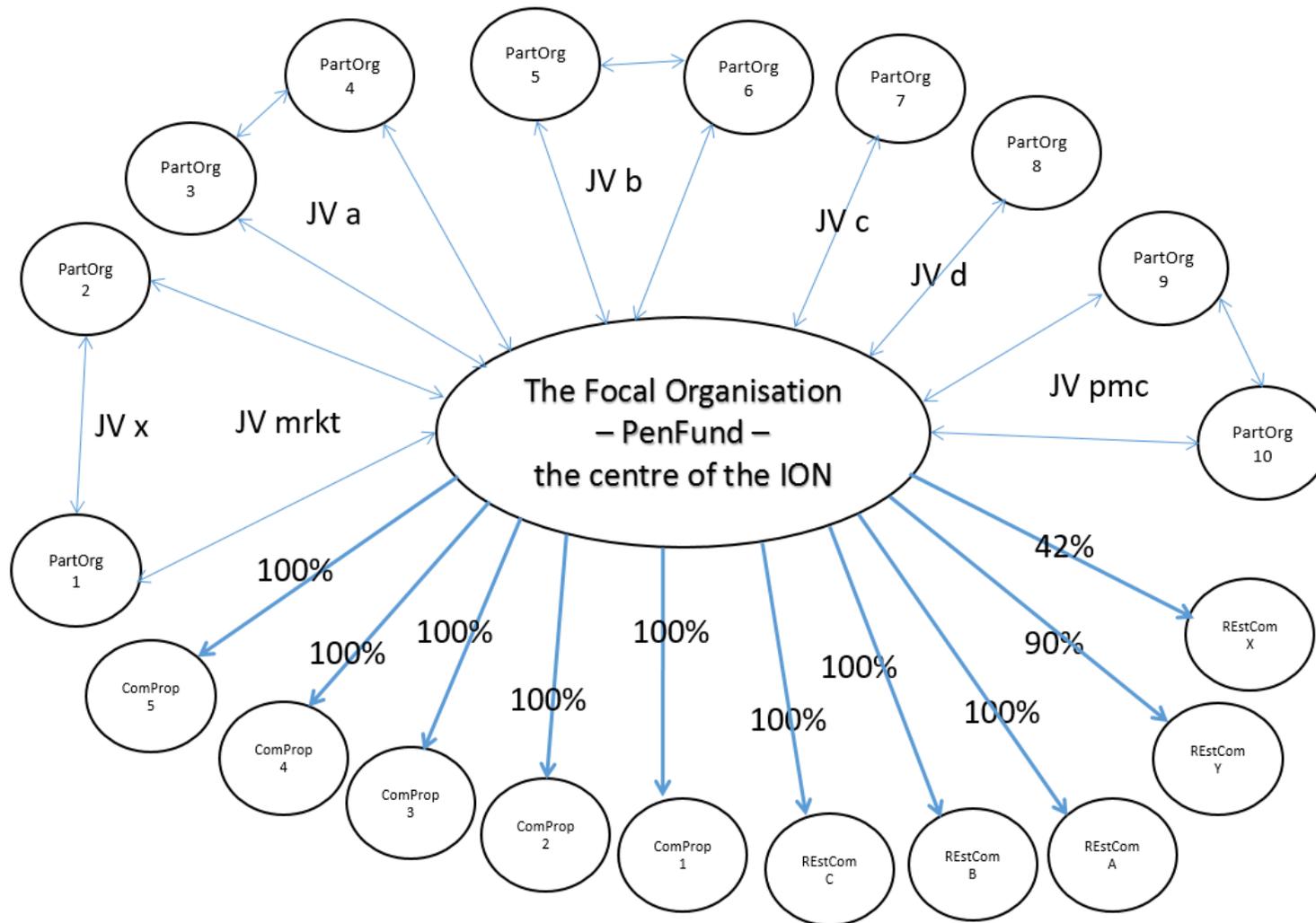
explained in the literature review Chapter, an ION of a focal organisation includes “those organisations with which the focal organisation has direct links” (Aldrich and Whetten, 1981, p. 386). Furthermore, the IORs, such as JVs, which constitute PenFund’s ION as well as IONs themselves, are hybrid organisational forms (Powell, 2003; Boland Jr et al., 2008; Jay, 2013). As such, the current study goes one step further than other studies which examine IOMCs for hybrid organisational forms, as it examines the IOMCs deployed by a hybrid organisation to manage, control and coordinate other hybrid organisations (IORs).

A simplified view of the ION of PenFund is presented in Figure 6.1<sup>1</sup>. The development of this network, as will be discussed later in the Chapter, was shaped, in part, by the introduction of the private sector logic in the pensions field which is filtered through PenFund’s organisational attributes. If the private sector logic had not been introduced, it is highly probable that PenFund would still be investing in low risk government bonds and no IORs would have been formed. Moreover, business practices characteristic of the real estate field have also had an impact on the development of PenFund’s ION, as will be explained in the next section.

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<sup>1</sup> Figure 6.1 is a simplified view as it does not present all the relations between the various IORs of PenFund. However, a comprehensive view, which takes into account all these relations, is presented in Figure 6.5, later in the Chapter.

Figure 6.1 The Simplified Presentation of the ION of PenFund in the Real Estate Sector



↔ Joint Venture  
 → Minority/Majority Equity Holding

PartOrg – Partner Organisation forming a Joint Venture

REStComp – Real Estate Company in which PenFund has either a minority or a majority equity holdings

ComProp - Commercial Property owned by PenFund

As illustrated in Figure 6.1, PenFund is embedded in an ION which includes various forms of IORs with various partners. More precisely, PenFund has six Joint Ventures<sup>1</sup> (JVs), which operate in the real estate sector, one with PartOrg 7, one with PartOrg 8, one with PartOrg 3 and PartOrg 4<sup>2</sup>, one with PartOrg 5 and PartOrg 6, one with PartOrg 9 and PartOrg 10 and two with PartOrg 1 and PartOrg 2. PenFund also holds a minority equity interest in a real estate company, namely REstCom X. Moreover, PenFund holds the majority equity interest in REstCom Y and it wholly owns two real estate companies, namely REstCom A and REstCom B. Additionally, PenFund owns multiple commercial properties<sup>3</sup>, for example, ComProp 1 and ComProp 2. The IORs formed by PenFund in the real estate sector can be grouped into three different types: (1) commercial properties<sup>4</sup>, which are wholly owned by PenFund, (2) real estate management companies, which deal with various issues, such as properties management, marketing and sales and (3) JVs, which first construct various real estate (e.g. apartments, shopping malls, markets, hotels and car parks) and then deal with the sale and renting of those developments<sup>5</sup>. However, JV pmc and JV mrkt are exceptions as they do not construct

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<sup>1</sup> All the JVs are incorporated entities owned by PenFund and its partners, which collectively can be named as the parents. The JVs are based on shared equity ownership and PenFund has different shareholdings in different JVs. It owns 70% in JV x, 30% in JV mrkt, 32% in JV pmc, 92.7% in JV a, 70% in JV b, 60% in JV c and 40% in JV d.

<sup>2</sup> Some Joint Ventures comprise more than two partners.

<sup>3</sup> In total PenFund has fifteen, 100% owned, commercial properties. However, for presentation purposes only five of them are shown in Figure 6.1 and Figure 6.5. Five properties have been included as this was a maximum number that could be included before the figures become overcrowded and difficult to read.

<sup>4</sup> These commercial properties were developed by adopting some of the business practices pertinent to the real estate field, namely a project-based approach to construction and tendering procedures (see e.g. Dubois and Gadde, 2002; Bygballe and Jahre, 2009; Bygballe et al., 2010; Bygballe et al., 2013; Bygballe and Ingemansson, 2014; Havenvid et al., 2016), which are both underpinned by the “economic logic of construction” (Bygballe et al., 2013). It was explained by multiple interviewees, for example by DM Properties, that commercial properties have been constructed by adopting the project-based approach because “that’s how construction and real estate industry works, that’s what everyone does”. As such, it can be argued that PenFund adopted practices which define “appropriate behaviour for specific group of actors” (March and Olsen, 1998, p. 948), in this case actors operating in the real estate field. By adopting these practices, PenFund outsourced the construction of its commercial properties to construction companies selected on the basis of tendering procedures, thereby forming project-based short-term IORs with these companies. After the construction of the commercial properties was completed, the IORs were dissolved and as a result PenFund is the sole owner of the commercial properties embedded in its ION. In this way business practices pertinent to the real estate sector contributed to shaping the current structure of PenFund’s ION in real estate.

<sup>5</sup> These JVs include JV a JV b JV c JV d and JV x and can be collectively called construction JVs.

properties; they are property management companies. However, they were established in the form of JVs between PenFund and its partners, rather than as equity investments<sup>1</sup>.

Figure 6.1 simplifies the presentation of the ION of PenFund and illustrates it as a set of dyadic IORs. However, the current study does not only examine the formation and IOMCs of the dyadic collaborations between PenFund and the individual members of the ION, but it also explores how the PenFund develops and manages the inter-connections between these (dyadic) IORs, i.e. how it coordinates and maintains its complex ION (under the conditions of institutional complexity). This is illustrated in Figure 6.5 and will be discussed later in the Chapter. Such an approach enables the researcher to examine the ‘whole network’<sup>2</sup> of PenFund in the real estate sector.

The ION in Figure 6.1 was the engine for the formation of the more complex ION (cf. Hoffmann, 2005; Ozcan and Eisenhardt, 2009) of PenFund in the real estate sector, which will be presented in Figure 6.5. This means that the ION presented in Figure 6.5 developed from certain IORs in which PenFund has been engaged (Figure 6.1). This is because complex IONs are not formed by themselves (Ozcan and Eisenhardt, 2009). More precisely, simple IONs start with the development of links between organisations (Powell et al., 1996; Gulati and Gargiulo, 1999) and subsequently “evolve through the accumulation of ties between increasingly embedded” organisations (Ozcan and Eisenhardt, 2009, p. 247). Although, previous research has explained how private companies form their IONs, it does not elucidate how public organisations form their IONs under institutional complexity. The following section explains

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<sup>1</sup> These two JVs can be collectively called management JVs.

<sup>2</sup> The ‘whole network’ perspective facilitates the researcher’s explanations of “the connections between relationships” (Bygballe et al., 2013, p. 113) and “suggests a more systematic use of relationships in order to identify better combinations/solutions” (ibid, p.114).

the development of the IORs and ION of PenFund, which operates under institutional complexity of the pensions field in WSSAC.

### **6.3. The Formation of IORs under Institutional Complexity in the Real Estate**

#### **Sector**

##### 6.3.1. The Initial Stage of Investing in the Real Estate Sector and the Problems it has

###### Created – the Past

In WSSAC, the shortage of housing has emerged as one of the most critical socio-economic challenges facing the country in recent times. As explained by various interviewees from PenFund, such as GM IDD and DM Corporate Law, the priority of PenFund is to ‘serve’ WSSAC’s workers, i.e. to be socially responsible, thereby enacting the public sector logic. Therefore, investments in the real estate sector are particularly important to PenFund. This is because real estate developments can be of immediate use to WSSAC’s workers and, since PenFund is funded by the workers, it has social obligations towards them. Moreover, the public in the form of workers, employers and the government exert pressure on PenFund to meet these obligations. Furthermore, although Real Estate Investments (REIs) are high risk, they can provide high returns from the sale of properties and a constant income from rental properties. Therefore, as soon as the liberalisation of investment policy was introduced into the pensions field, PenFund started to invest in the real estate sector by building and managing real estate developments in the form of affordable housing. In this way, over many years PenFund has become the largest real estate developer in the country. Through investing in the real estate sector and specifically in social affordable housing, PenFund has sought to provide residential accommodation to the contributors of the fund. In doing so, PenFund has undertaken long-term investments which are expected to form an important element of its portfolio. Moreover, PenFund wanted to ensure that the expectations of the government and public are met, i.e. that

the public sector logic is enacted, by providing a ‘social benefit’ to the contributors whilst they are still working. As such, the workers could obtain affordable flats and, at the same time, their rents would provide income to PenFund. In this way, PenFund has enacted the public sector logic whereby the ‘basis of strategy’ is the ‘increased community good’ and the ‘logic of investment’ is ‘capital committed to the public policy’ (see Table 5.2). However, to ensure that the rents are paid and a commercial rate of return is achieved, i.e. that the private sector logic is enacted, the real estate developments were allocated to various employers who could then allocate them directly to the contributors.

Drawing on the above, it can be argued that the decision to invest in the real estate sector was a response to various pressures arising from the institutional complexity, e.g. pressures for a commercial rate of return and pressures for socially targeted investment. As such, the decision to invest in the real estate sector, particularly in affordable housing, was a consequence of the enactment of both the public and the private sector logics. As a result of this decision, the Project Development Department and the Properties Department (within the IDD – see Figure 6.2, later in the Chapter) were formed. The role of these departments was, respectively, to design and construct the properties and to manage the constructed buildings.

Furthermore, due to the strong pressures arising from the public sector logic in the pensions field and the government’s significant control over PenFund (the government selects the DG and the majority of the BoT), the government continued to interfere in PenFund’s SIDs, including SIDs in the real estate sector. The government often pressured PenFund to decrease the rent of apartments so that any of the workers could afford them. Additionally, as explained earlier, the workers expected PenFund’s apartments to be cheaper than similar apartments sold or rented by a private developer. What is more, some of the interviewees explained that

government officials very often tried to ‘reserve’ some of the apartments for public employees at a minimum cost. In consequence, the REIs in affordable housing proved not to be as profitable as expected, and they did not yield a commercial rate of return. Because of this, PenFund could not carry on developing this type of properties. Moreover, PenFund could not afford to use its resources on the maintenance of these properties. Thus, despite the social importance of these investments, PenFund adopted a policy of direct sales to tenants and to the employers of the tenants occupying the properties. This decision enabled PenFund to recoup some of the investments it made. In order to avoid public questioning, this decision was reported in one of the WSSAC’s newspapers:

He [the DG] said the company [PenFund] has also moved away completely from constructing houses and flats on its own for rental because of the challenges that the Trust faced with the [XYZ and ABC<sup>1</sup>] where tenants refused to pay realistic rent. [The DG<sup>2</sup>] made it clear that the Trust would no longer do social housing because of the heavy cost involved and the drain on the Trust.

Although, PenFund ceased its investments in affordable housing, it did not intend to completely withdraw from the real estate sector, as it still had a desire to exploit the burgeoning demand in the real estate sector caused by, amongst others, the housing shortage mentioned earlier<sup>3</sup>. Moreover, PenFund owns huge amounts of land spread all over the country, and this is common knowledge in WSSAC. Therefore, PenFund started to be approached by potential private partners that wanted to use its land to construct various real estate developments, including commercial properties, shopping malls, hotels, luxury apartments and car parks. Therefore, PenFund decided to take advantage of these favourable conditions to expand its REIs portfolio

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<sup>1</sup> The original name of the Real Estate Developments had to be concealed.

<sup>2</sup> The name of the DG had to be concealed.

<sup>3</sup> Additionally, as in any developing country, the real estate sector is underdeveloped, i.e., it lacks such developments as hotels, hostels, shopping malls, car parks and commercial buildings.

by establishing various mixed-type IORs, which subsequently led to the emergence of PenFund's ION in the real estate sector.

Furthermore, it was stressed in Financial Reports (2011, 2012, 2013) that PenFund faces a challenge as the new Pensions Act has increased the benefit payments, without proportionally increasing the contributions. This resulted in a reduction in investible funds, which subsequently has created a deficit that has negative consequences for the growth of the organisation. The introduction of diverse investments in the real estate sector, which have the potential to yield superior returns, thereby reducing the deficit, appeared to be a good solution to the challenges posed by the new Pensions Act. It was stated in Financial Report (2013):

To compensate for the shortfalls in the cash inflow, [PenFund] will seek partnership arrangements to execute investment deals especially in real estates and other infrastructural works, through syndications and other best business practice arrangements.

### 6.3.2. The Second Stage of Investing in the Real Estate Sector and Conditions Facilitating the Formation of IORs in the Real Estate Sector – the Present

Sometime after the unsuccessful attempt to invest in the affordable housing, PenFund made another attempt to invest in the real estate sector, however, this time in commercial properties, thereby embarking on the second stage of investing in the real estate sector. In order to invest in commercial properties, PenFund adopted certain business practices pertinent to the real estate field (particularly in the construction industry), especially the project-based approach to construction<sup>1, 2</sup> and tendering procedures<sup>3</sup>. The adoption of business practices commonly deployed by private organisations operating in the real estate sector facilitated PenFund's attempt to reshape its identity from a public organisation to a private sector organisation.

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<sup>1</sup> For a broader discussion of the project-based character of the industry and partnerships in this industry see e.g. Dubois and Gadde (2002); Bygballe et al. (2010); Bygballe et al. (2013); Bygballe and Ingemansson (2014); Havenvid et al. (2016).

<sup>2</sup> The "construction projects are inter-organisational due to the tradition of sub-contracting" (Bygballe and Ingemansson, 2014, p. 514).

<sup>3</sup> These practices are underpinned by 'the economic logic of construction' (see Bygballe et al., 2013).

Nevertheless, the tendering procedures were not only adopted because of their ‘popularity’ amongst the private organisations in the real estate sector. These procedures were deployed by PenFund also because they are prescribed by the National Procurement Law, which applies to all public sector organisations, and therefore must be adhered to by PenFund. Regulations enforced by the National Procurement Law are intended to encourage competition and to increase efficiency, transparency and accountability in the public sector. In this manner, National Procurement Law facilitates the enactment of the private sector logic by public organisations. Moreover, it was suggested by several interviewees, for example the DM Corporate Law Department, that the tendering rules outlined in the National Procurement Law accelerate the gradual eradication, from the partner selection process, of the informal institutions<sup>1</sup> prevalent in WSSAC, namely kinship and political and government interference. Tendering rules make it more difficult for the government to pressure PenFund to outsource the construction of real estate developments to companies with owners which are either politically or personally connected to government officials. However, the interviewees also explained that these institutions are still present in WSSAC and, sometimes, still affect PenFund’s choice of partners.

Furthermore, the pressures arising from the public sector logic are still strong and, therefore, despite the adoption of business practices used by private companies, the private sector logic is enacted through the filter of the public sector logic. Although, according to the private sector logic, tendering decisions should be price based, PenFund tends to give priority to local construction companies, rather than the cheapest tenders. This is because, in order to contribute to the development of the private sector in WSSAC, PenFund believes that it should form

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<sup>1</sup> As explained in Chapter three, informal institutions are culturally informed and are exhibited in societal norms (Narooz and Child, 2016).

mixed-type IORs with local partners, such as local construction companies, rather than international companies. This means that it can contribute not only to the development of the real estate sector in the country, but also to the empowerment of the private sector, especially the construction industry, by providing local construction companies with work as a result of outsourcing the construction of commercial properties to these local partners<sup>1</sup>. As a consequence, PenFund developed multiple short-term dyadic IORs, client (PenFund) and contractor (local construction company) to construct commercial properties, from which it receives rents, i.e. a return on investment in the form of a commercial rate of return. PenFund is the sole recipient of the rents. This is because PenFund outsources only the construction of the buildings, so after the construction phase is completed the buildings are fully owned by PenFund.

Although PenFund contributes to the development of the real estate sector by developing commercial properties, the pressures exerted on PenFund to invest in socially targeted real estate developments, such as housing, has not disappeared. This is partially due to the housing deficit described earlier. As reported in the local news, the government, or more accurately the president, when inaugurating a new member of the BoT, asked PenFund “to venture into strategic and profitable investments *to help to grow* its capital and *the country’s economy*” (*emphasis added*). He stated that housing is one of the key areas in which PenFund should invest and added that this sector has a potential to yield high returns. However, due to the previous failure of its investments in housing, PenFund has been reluctant to invest in housing again. Nevertheless, by establishing JV pmc, PenFund learnt that if it enters into a long-term IOR with a private partner it can minimise public demands and government interference. More

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<sup>1</sup> Although, the fact that PenFund wants to contribute to the development of private sector in the country might imply the enactment of private sector logic, PenFund’s choice of partners reflect the rationales of the public sector logic.

precisely, PenFund understands that by entering into a JV, to build a property and then share the ownership of this property, rather than just outsourcing the construction, the government cannot demand either cheaper rents/selling prices or reserve apartments for its workers. What is more, tenants living in the apartments have to pay rent in full on time, as the private companies which operate in the real estate sector and enact the private sector logic do not allow underpayments or delays. Therefore, PenFund started to develop long-term IORs with private partners<sup>1</sup> so it could “hide” behind a partner when either the government or WSSAC’s workers tried to exploit PenFund’s resources. As such, PenFund saw these long-term IORs with private partners as a way of avoiding government interference and minimising public pressure. Additionally, the formation of such IORs facilitates PenFund’s attempt to reshape its identity from a public organisation, concerned with social priorities, to a private sector organisation, which seeks a commercial rate of return on its REIs. As explained by one of the DGs:

These public-private arrangements relieved us of having the trouble of always chasing after workers who think that because their building belongs to [PenFund], they don’t need to pay the rent. But if it’s a real estate, done and partially owned by a private company, if you won’t pay, they will throw you out. Whereas [PenFund] would have a problem throwing people out because of its social responsibility. So this is what eventually informed us that if we are going to be in the real estate business, we should do what they call PPP, Public Private Partnership (DG 2).

One of the interviewees from the PartOrg 1 elaborated:

I spoke to one of PenFund’s directors and I asked ‘why are you doing this Joint Venture with us?’. If you have the money and you have the land why don’t you do it yourself? And he said that they [PenFund] want to get the best out of it because when [PenFund] put up the buildings themselves the government say: ‘can you reserve one apartment for this director, can you reserve one for this minister’ etc.. But if they have a private entity with them, then PenFund is to some extent controlled so they [the government] can no longer ask for the ‘free’ flats as we [private partners] will not agree and that was the advantage of having a private partner for them (Law and Admin Manager).

As such, by establishing long-term IORs, in the form of JVs, PenFund could reduce the pressures arising from institutional complexity, and as a result, it could enact the private sector

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<sup>1</sup> In this way PenFund entered into the next stage of investing in the real estate sector.

logic more effectively. Furthermore, the formation of IORs enabled PenFund to utilise the expertise of private partners and to share the various risks associated with the real estate developments, e.g. financial risk. The Chief Actuary explained:

I can say that partnerships are a way of mitigating risk. Also, once we partner, it's a bit cheaper. So what I'm saying is that if you are doing things on your own it's too risky, isn't it? And if you partner with someone, at least it becomes a bit easier and a bit cheaper. Also, I think that our partners bring some expertise on board. So that's the beauty of partnering.

One of the Trustees added that currently many public organisations in WSSAC are entering into IORs with private partners. He explained that “this is an innovative trend introduced in [WSSAC] to increase efficiency of public institutions” (Trustee 1). Therefore, PenFund also tries to do this so it can enhance its efficiency; thereby implementing the organising principles of the private sector logic. Numerous interviewees confirmed that long-term IORs facilitate the enactment of the private sector logic by PenFund because these IORs not only minimise the government interference, but also bring expertise which increases efficiency and prevents waste, thereby increasing the returns on investment and contributing to the formation of new institutional arrangements. This implies institutional work in which long-term IORs facilitate the maintenance of the new institutional arrangements. Therefore, it can be argued that IORs enable the managers to respond to the challenges which PenFund faces due to institutional complexity. Consequently, the number of IORs, particularly long-term IORs, continues to increase, which means that continuous institutional work is needed for the maintenance of the new institutional arrangements (cf. Lawrence and Suddaby, 2006; Järvinen and Parker, 2016). This also contributes to the development of PenFund's ION in the real estate sector.

### 6.3.3. The IOR Formation Processes in the Real Estate Sector

In PenFund the process of ION formation was composed of two stages. First, individual IORs were established and then the links connecting the individual IORs developed, and the ION evolved. Therefore, in order for the more complex ION (Figure 6.5) to develop, the individual IORs have to be formed first (Figure 6.1). Although these processes are separated in this Chapter, the ION evolution through the formation of new IORs and connection of various IORs is a continuous process. The separation of the processes has been used just for analytical purposes. However, before the IOR formation process is explained, it has to be clarified which divisions are involved in the IORs formation processes. This is to highlight that relatively few of the organisational (purposeful) actors are involved in the IORs processes. The primary responsibility for effective SID making rests with the BoT and the DG. However, the GM IDD and DMs of the IDD's departments also play an important role in the IORs. The departmental structure of the IDD is presented in Figure 6.2.

*Figure 6.2 The Departmental Structure of IDD*



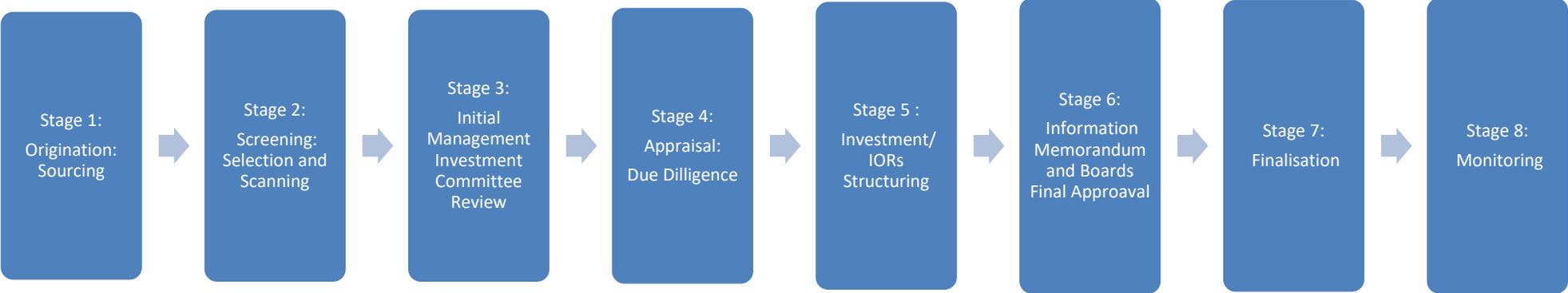
The departments directly involved in the real estate IORs are the Equities Department, Properties Department and Project Development Department (hereafter PDD). PPMMD stands for the Portfolio Performance Measurement and Monitoring Department, which is responsible for measuring the performance of each asset class. In this way, PPMMD is also involved in the real estate IORs as it measures the performance of the REIs. Additionally, the Corporate Law Department, which is part of the GCD (see Figure 5.2) is responsible for some IOR related processes. More precisely, it is responsible for conducting some parts of the due diligence (see Figure 6.3) during an IOR formation process, and as such it can also be considered as one of the departments which is directly involved in the formation of the IORs.

In order to ensure that pressures arising from the institutional complexity are handled efficiently, i.e., the demands of various stakeholders are fulfilled, a multi-stage IOR “formation process” has been introduced. The process of investing in the real estate sector, through IORs, must follow the rules set out in organisation policies, such as the Assets Allocation Policy and the Investment Policy and Guidelines, as well as in government regulations and policies, such as the Pensions Act and the National Procurement Law. As explained in the previous Chapter, PenFund, as an organisation engaged in IORs, operates at the intersection of various institutional fields. The Pensions Act and National Procurement Law indicate the rules that have to be followed in the pensions field and the real estate field. These documents constitute the institutional environment of PenFund (as per definition provided in the Literature Review Chapter). In addition, they promote the enactment of the public sector logic by PenFund as they represent a ‘source of authority’ and the ‘formal control mechanism’ based on the ‘enforcement of government legislation’, which ensures the achievement of national goals. However, the organisation policies also reflect the private sector logic. For example, according to the Assets Allocation Policy, PenFund must “ensure efficiency in the management of the investment

portfolio”. As such, both the private and the public sector logics guide the IORs formation process.

Furthermore, these documents contain various rules which are aimed at eradicating ‘negative’ practices, such as government and political interference and corruption, which exist at various levels in WSSAC, namely societal-level, field-level and organisational-level. For example, the National Procurement Law states that under no circumstances PenFund can select a partner for a construction project without conducting a public tender. The process of IORs formation is illustrated in Figure 6.3.

Figure 6.3 Investment Process in the Real Estate Sector<sup>1</sup>



<sup>1</sup> Figure 6.3 reproduces the process set out in the Investment Policy and Guidelines document.

First, a potential investment opportunity has to be identified. The sourcing approach might be either ‘inbound’, i.e., supply driven, or ‘outbound’, i.e., demand driven. In the inbound approach the potential partners, such as private organisations or the government, approach PenFund’s relevant officials, i.e. DG or GM IDDD, with an investment opportunity. Sometimes they may approach other managerial level staff, for example, a Departmental Manager from either the Equities Department or PDD. However, the Departmental Managers are not allowed to make SIDs without the approval of DG and the BoT. Thus, they have to direct the proposal to either the DG or the GM IDD<sup>1</sup>. Under the outbound approach, relevant PenFund officials, such as IDD managerial staff<sup>2</sup>, actively go out to seek IORs opportunities (potential partners). To ensure a robust and diverse pipeline of quality investment opportunities, the IDD managers use a broad variety of investment sourcing methods, including but not limited to: direct contacts through the manager’s own networks (inter-personal relationships), referrals from strategic partners and portfolio companies, direct submission of business plans to the portfolio manager and referrals from investors. As such, the sourcing stage involves the identification of potential partners.

Once potential partners are identified, the next stage of the formation process is screening. The potential partner must be made aware that it is being ‘screened’ for the potential partnership. Each Investment Manager, and in particular the Manager of the Equities Department and Project Development Department, is responsible for developing a pipeline of investment opportunities and for monitoring it closely, as per the Pipeline Tracking Chart presented in Figure 6.4.

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<sup>1</sup> The manager of PDD explained: “[...] when they [potential partners] come to our department we direct them to the executives [either the GM IDD or the DG] because when they come to us we still have to seek the approval of the GM IDD and the Director General. So what we normally do, if they come to us, we forward their proposal to the executives or advise them to go directly to the Executives.”

<sup>2</sup> Investment sourcing is the primary but not absolute responsibility of the IDD managers. Any official of PenFund (regardless position or division) may suggest potential investments for consideration.

Figure 6.4 Investment Pipeline Tracking Chart

<b>Portfolio Type</b>						
<b>Deal Sourcing Log</b>						
As at xx date						
GHc Million						
<b>Portfolio Manager Point of Contact for Deal</b>			<b>Details</b>			
Name of Investment Officer:						
Location:						
<b>Deal Sourcing Information</b>			<b>Details</b>			
Sourced how:						
Sourced when:						
Sourced by whom:						
<b>General Deal Information</b>			<b>Details</b>			
Deal Name:						
Deal Type						
Deal Contact Name (s): (e.g. Investment Officer name)						
Deal Contact Tel:						
Deal Contact Fax:						
Deal Contact Email:						
Deal Contact Mailing Address:						
<b>Log: Face-to-Face Meetings</b>		<b>Date</b>	<b>Who Present</b>	<b>Matters Discussed</b>	<b>Decisions</b>	<b>Next Steps</b>
1						
2						
3						
<b>Log: Other Communications</b>		<b>Date</b>	<b>Who</b>	<b>Matters Discussed</b>	<b>Decisions</b>	<b>Next Steps</b>
1						
2						
3						
<b>Log: Information Received from Deal</b>		<b>Date</b>	<b>Method</b>	<b>Confidentiality Terms</b>		
Powerpoint Presentation			e.g. email			
PPM			hard copy			
Due diligence Kit						
Additional DD materials						
Legal Agreements						
Other						
<b>Log: Investment Process Steps</b>						
Sourced						
Initial Contact						
Portfolio Manager P.O.C. Assigned						
Early Review						
Due Diligence						
Review of legal agreements						
Key Terms agreed upon						
Amount Approved						
Amount Committed						
Signing Date						

The pipeline chart is designed to enable the management to prioritise the investment, i.e. it helps to determine which transactions to pursue immediately; which to put on hold for future consideration; which to refer to a more suitable manager; or which to reject. In order to prioritise, number of issues must be considered. Firstly, it must be verified that the investment opportunity is a good “fit” with other PenFund investments. This suggests that the portfolio ought not to be a random mix of dyads, but should be strategically aligned. Secondly, the risk and return impact on PenFund’s investment portfolio must be evaluated. Thirdly, it has to be assured that PenFund is comfortable working with the potential partner, i.e., the company’s management and owners. Finally, the availability of additional financing, if needed, such as debt from banks, equity from partners, must be verified.

On the basis of the above a “Screening Report” must be produced and submitted to either the GM IDD or the DG, who then calls a meeting of the Management Investment Committee (hereafter MIC) in order to review and comment on the Screening Report. The MIC is formed of the Chief Actuary, GM IDD, GM GCD, GM Operations Division, and GM Finance Division along with DMs from all IDD departments and the DM from Corporate Law Department. The head of the MIC is the DG. The MIC provides involved managers with an opportunity to review and comment on the investment proposals. The MIC analyses the reasons for the IOR, the suitability of the potential partner, the management of the partner organisation, the potential returns and the risk rating. Moreover, it gives guidance for the next stage, namely the due diligence. The purpose of assessing the proposal by the MIC is to give an indication of the operational and technical feasibility and the commercial/financial viability at this early stage. Nevertheless, the DG is the person who makes the final decision to either reject or forward the IORs proposal to the due diligence stage.

The due diligence is aimed at enabling PenFund to determine whether it should make the investment, including any conditions it should attach. Different departments are responsible for conducting various elements of the complex due diligence process, i.e., a detailed analysis of the financial and business operations of the potential partner must be conducted<sup>1</sup>. If the due diligence gives satisfactory results the structuring stage can begin.

The core of the structuring stage is a negotiation process regarding the capital structuring, preference share terms, contractual clauses, board representation and the management of IOR. The aim is to align the interests of all the parties and to provide maximum returns in both the short and long terms. Furthermore, as explained in the Investment Policy and Guidelines, the essence of the structuring is “to raise the yield of the investment” and to maximise returns, which implies the private sector logic. However, during the interviews, it was revealed that ‘aligning interests of all parties’ does not always work in practice. PenFund is usually the stronger partner because of its financial and land resources. Therefore, although the potential partners are not always satisfied with the structure and conditions offered by PenFund, they accept it because of the asymmetric power issues. One of the former DGs claimed “They all [potential partners] fear PenFund – it is the ‘big boy’ in WSSAC.” (DG 1). Additionally, one of PenFund’s partners complained:

I would say though, it’s not the best structure. Because, if it had been 50/50 as we proposed at the start, then the objectives would have been aligned. Now the objectives are not aligned because we do not own the same percentage of the shares. We only have 15% in this joint venture but no one else owns that much land in WSSAC so we had to agree (MD PartOrg 2).

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<sup>1</sup> The financial due diligence is conducted by Equities Department, technical due diligence by the Project Development Department, land due diligence by Properties Department and legal due diligence by the Corporate Law Department.

Nevertheless, as soon as the partners agree on the IOR's structure, an Investment Proposal is forwarded to the BoT for approval. At this stage the Investment Proposal must include the results of the due diligence, the proposed structure, the business and financial analysis of the partner(s), including risk assessment and SWOT analysis, PenFund's involvement in the Board of Directors and the management, expected exit and triggering events, milestones for monitoring purposes and disbursement conditions. The BoT can decide to reject a potential partner, request further information about the partner and then reconsider the partnership proposal, or simply accept the proposal and recommend the Equities Manager to take the advice of the Corporate Law Department and to prepare an Investment Memorandum for the GM IDD, MIC and BoT, who then make the final investment decision. After receiving the final approval from the Board, PenFund proceeds with the execution of the Legal Agreements. In the finalisation stage a new IOR is established. The IOR is then a member of PenFund's ION in the real estate sector. From now on, the role of PenFund is to monitor the newly established IOR and to connect it with its other IORs.

Despite the condition that IORs should be formed only with "established local and/or international companies with a solid track record", as per the Investment Policy and Guidelines, the formation process is often influenced by such institutions as kinship and political and government interference. As explained earlier, the management can use its own network to identify potential investments. Due to the institutions of kinship and political and government interference in WSSAC it is very likely that "the best possible" partners are not always identified and recommended by the management. As explained by one of the former Directors:

We go through the due diligence process – the criteria for the tender process – but I can say that we are an institution made of humans so it's possible that somebody will say, "Well, we know these people. Let's partner with them (DG 1).

Furthermore, the other former DG added:

[...] there were people who had some connections with the government and would go and see a Minister or some other “big person” and say, “I’m having this project and I need some money, but I don’t have the money. I would like you to recommend PenFund to become my partner... to take part in my project.”. So sometimes this actually informs the kind of investments that we do. But some of these projects went bad (DG 2).

As explained by a Former Trustee and DG 2, some of the IORs should not have been established as they were neither likely to yield a commercial rate of return nor were they socially targeted. Therefore, it can be argued that some of the IORs embedded in PenFund’s ION are not the result of SIDs, which should contribute to either achieving national objectives or yielding commercial rate of return, but were formed due to either kinship and/or political and government interference. This is, partially, because formal<sup>1</sup> institutions in WSSAC, as in any other developing country, are immature and the behaviour of the organisational actors tend to be dominated by ‘informal institutions’ (cf. Narooz and Child, 2016), such as abovementioned kinship and political and government interference.

Although PenFund started to form IORs with private partners, especially long-term IORs, to minimise the impact of the public sector logic and some of the institutions present in WSSAC as well as to accelerate the transition to a private organisation identity, DG 2 suggested that the pressures arising from institutional complexity are still strong. DG said:

We [PenFund] still have all kinds of pressures from the government and politicians to give the contract for developing the [real estate] projects to their favourites, to the people that are politically connected (DG 2).

At the same time, the DG owes his position and, hence, his loyalty to the government. Thus, the DG’s choice of investment partners can, to some extent, be influenced by the government

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<sup>1</sup> As explained in Chapter three, formal institutions are exhibited in formal rules

and political interference. Moreover, despite the introduction of the multi-stage IOR formation process, the final approval for the formation of IORs must be issued by the BoT, in which the government has multiple representatives.

Additionally, interviewees from PenFund's partner organisations suggested that a private organisation in which the owners or managers are affiliated with the ruling political party has a higher possibility of forming an IOR with PenFund. The Law and Admin Manager PartOrg 1, explained:

Then he [CEO PartOrg 1] had some relationships with some [PenFund's] directors, so it was easier to start the conversation with them. If you have no connections, they may not even look at your proposal.

This was confirmed by the CEO PartOrg 1 as well as echoed by The MD PartOrg 2, who said:

PenFund did a competition<sup>[1]</sup>, and PartOrg 1 had some sort of a connection<sup>[2]</sup> in PenFund. So we partnered with PartOrg 1, and then we went into the competition and then we won the competition. And that's how it all worked.

The MD further explained that, had it not been for the political connections of PartOrg 1, the formation of an IOR with PenFund would have been much more difficult.

Following from this, the government appears to be one of the important external actors. As such, the institution of government and political interference, to some extent, shapes PenFund's SIDs. Put another way, although PenFund is funded by employees' and employers' contributions, the impact of the ruling government on the formation of specific IORs, and subsequently on the development of PenFund's ION, is evident. Further, the institution of kinship also places demands on the behaviour of PenFund's managers and, therefore, it also

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<sup>1</sup> The competition was a tender leading to the formation of the JV.

<sup>2</sup> After further investigation, the researcher found that "sort of a relationship" included an affiliation with the ruling political party and kinship relations.

plays an important role in the formation of IORs and the development of PenFund's ION. As explained by various interviewees, some of the SIDs regarding the formation of IORs are influenced by personal relationships or political connections of the people involved (PenFund managers and IORs partners). This impedes the transition to a wholly private organisation identity.

In addition, although the IOR formation process, illustrated in Figure 6.3, is supposedly shaped by the private sector logic<sup>1</sup>, the impact of the public sector logic on the SIDs and, therefore, also on the IORs and on ION formation is evident. For example, one of the DGs explained:

A group from China had a good Joint Venture proposal but, there was a local company which does similar things. I had this feeling... The sentiment was very deep. I had to apologise to the Chinese company, and suggested we partner with the local company. However, if you go to analysis, you can say that the Chinese group would have done a better job than the [WSSAC's] company, but the sentiment was deep [...] (DG 1).

'The sentiment' implies the enactment of the public sector logic whereby one of the organising principles is 'emotional/personal connection to the community'. So, although the IORs are formed to increase the returns and to minimise government interference, i.e. to enact the private sector logic, the purposeful organisational actors, such as the DG, enact the private sector logic through the lenses of the public sector logic. As such, PenFund's purposeful organisational actors exercise agency by choosing the way to respond to the multiple pressures arising from the institutional complexity and the various institutional logics, i.e., by choosing the way to embody the public and the private sector logics in PenFund's inter-organisational processes. Despite the development of the private sector logic in the pensions field, the public sector logic and traditional institutions, such as kinship and political and government interference, are still

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<sup>1</sup> This is because the complex IOR formation process was introduced, amongst other reasons, to eradicate government and political interference and thereby accelerate the enactment of the private sector logic.

present and they also shape the formation of IORs and the subsequent development of PenFund's ION.

Drawing on the considerations provided in the current section, it can be argued that IOR formation is a hybrid process guided by multiple logics. The enactment of the hybrid process enables PenFund to maintain its hybrid character, by incorporating the demands arising from institutional complexity. The research follows Miller et al. (2008) who argued that “[a]ctors, entities, objects, *practices*, *processes* and bodies of expertise can all be regarded as hybrids, in so far as they share this characteristic of impurity.” (p. 944, *emphasis added*). In this way, it will be argued in the following section that the ION development process, like the IORs formation process, is also a hybrid process, incorporating various logics. While, in the next Chapter it will be explained that IOMCs deployed in various IORs and the ION are hybrid practices, which also help PenFund to sustain its hybrid nature. There now follows an explanation of the ION development process.

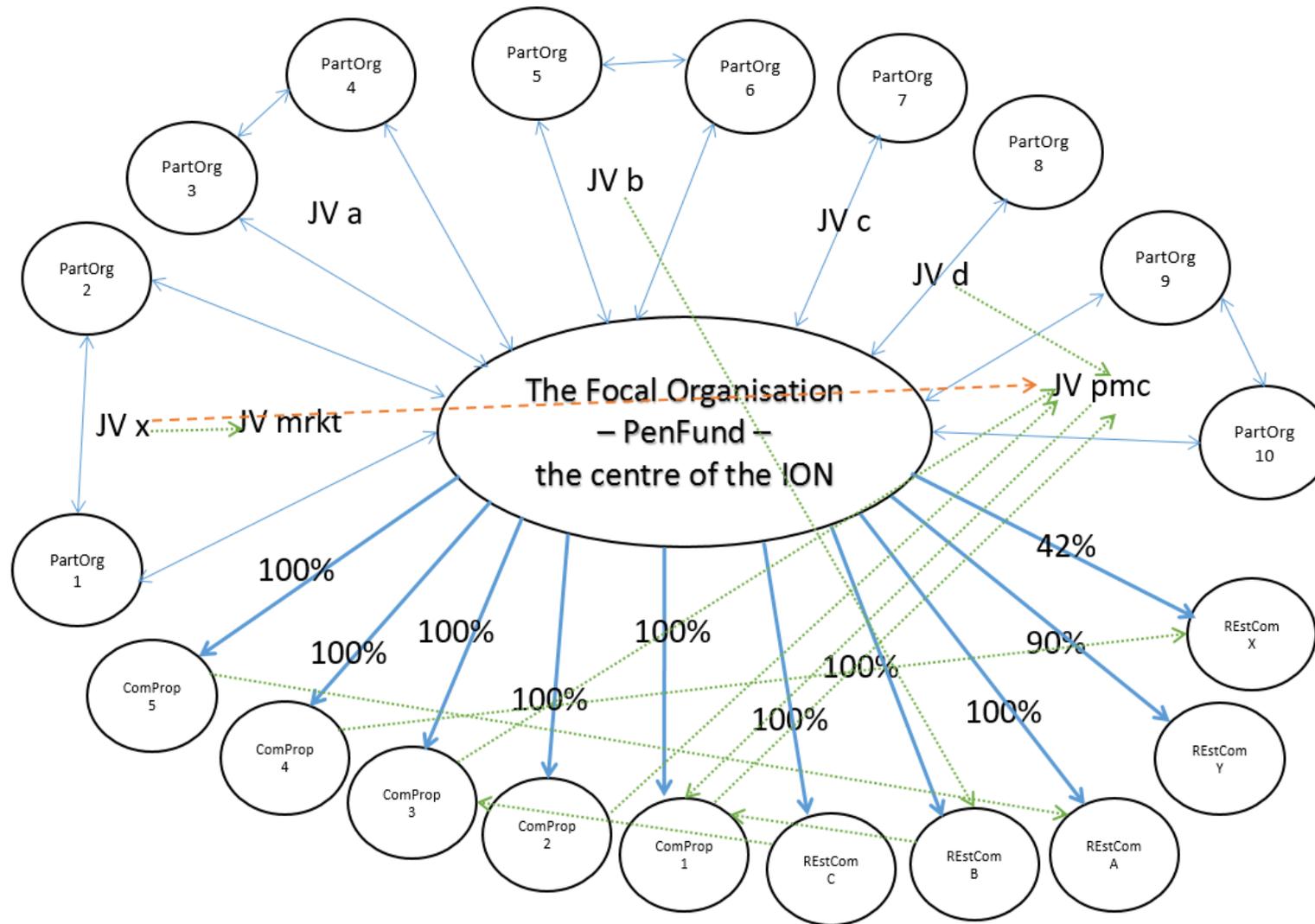
#### **6.4. The Formation of the ION in the Real Estate Sector**

Figure 6.5 presents the structure of PenFund's ION in the real estate sector in its current form. This ION has been continuously developing for the past decade. The ION formation process was triggered by the emergence of the new societal-level institutional logics, such as corporation and market logics, which subsequently contributed to the emergence of the private sector logic in the pensions field. More precisely, the ION formation process began with the introduction of the private sector logic into the pensions field. Moreover, the formation of PenFund's ION in the real estate has been accelerated by PenFund's decision to sell its affordable residential properties and to start investing in the development of commercial properties. In total, PenFund owns fifteen commercial properties. However, as explained earlier, to avoid overcomplicating Figure 6.1 and Figure 6.5, five commercial properties are illustrated<sup>1</sup>.

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<sup>1</sup> This does not distort the results of the current study because connections formed between commercial properties and other ION actors can be explained using as an example one of the commercial properties owned by PenFund.

Figure 6.5 The Structure of the Complex ION of PenFund in the Real Estate Sector



-  Joint Venture
-  Minority/Majority Equity Holding
-  Customer
-  IOR which subsequently broke down

PartOrg – Partner Organisation forming a Joint Venture

REstComp – Real Estate Company in which PenFund has either a minority or a majority equity holdings

ComProp - Commercial Property fully owned by PenFund

Figure 6.5 depicts various relations that have been developed by PenFund between its IORs in the process of forming and coordinating its ION in the real estate sector. As such, some of the IORs are customers of the other IORs. For example, JV b is managed by the REstCom C; while REstCom C rents office space in the ComProp 3. Similarly, JV pmc rents office space in ComProp 1 and at the same time it manages this commercial property for PenFund. However, some of the relations that developed between specific IORs have broken down due to a variety of reasons (discussed later in this section). As such, PenFund's ION structure is not static. It evolves through the constant development of new IORs and the various coordination methods deployed by PenFund. For example, a relationship developed between JV x and JV pmc, however, this relationship broke down and as a result a new IOR was formed, namely JV mrkt, and currently JV x is a customer of a JV mrkt<sup>1</sup>.

Drawing on the above, the links that have developed between the IORs in PenFund's real estate ION can be divided into three main types. The first is when one of PenFund's IORs rents office space in one of PenFund's commercial properties. The second type is when JVs of PenFund and its partners are managed by a property management company in which PenFund is engaged. The last type is when a real estate management company in which PenFund is engaged manages one of PenFund's wholly owned commercial properties.

What is more, some of PenFund IORs in the real estate sector are connected to the IORs formed by PenFund in other sectors, such as the service sector and the banking and finance sectors. For example, PenFund uses its IORs operating in the real estate sector to manage its IORs operating in the service sector as well as it encourages its partners, such as banks and consulting

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<sup>1</sup> JV mrkt has the same representatives on the Board of Directors as JV x, therefore, while conducting the second stage of the case study, the researcher has asked interviewees some questions regarding JV mrkt. However, this JV has just recently been incorporated and, therefore, it is not fully operational yet. Nevertheless, as soon as the construction phase in JV x is finished, JV mrkt will manage the properties developed by JV x.

companies, to locate their offices in commercial properties wholly owned by PenFund. Additionally, some of the IORs operating in the real estate sector take loans from financial institutions in which PenFund is engaged. However, this case study focuses on the ION in the real estate sector<sup>1</sup>. Nevertheless, some of the organisations forming IORs with PenFund might not consider themselves a member of its ION. This is because of the “invisibility of network relationships and connections” (Anderson et al., 1994, p. 4) and actors’ limited knowledge about the IONs in which they are engaged (Anderson et al., 1994)<sup>2</sup>. Nonetheless, theoretically, all the organisations that have established IORs with PenFund are members of PenFund’s ION, whether they recognise it or not.

As noted earlier, the formation of PenFund’s ION in the real estate sector was triggered by the development of PenFund’s inter-institutional society and the emergence of the societal-level institutional logics, such as the market logic and the corporation logic, and the subsequent introduction of the private sector logic into the pensions field. However, the formation of the ION in the real estate sector, started when, after development of its first four commercial properties, PenFund realised that, due to a lack of expertise, its Properties Department was not capable of managing these commercial properties and their facilities. Thus, PenFund made an SID to form its first long-term IOR<sup>3</sup> in the real estate sector with a private international company, which deals with properties and facilities management, namely PartOrg 9, and

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<sup>1</sup> Setting the boundaries of an ION is crucial for understanding which organisations should be included in the research and subsequently to explain how the examined ION was formed, how it operates and how it is controlled. This is because, in principle, IONs can extend without limits. For a broader discussion on setting ION boundaries see Anderson et al. (1994) and Tomkins (2001).

<sup>2</sup> The researcher follows Provan et al. (2007) who argued that questions about boundaries of an ION are best answered by individual researchers, based on their knowledge of this ION and its activities. Therefore, in this study, the researcher identifies the organisations that are considered to be members of PenFund’s ION in the real estate sector, to the best of her knowledge.

<sup>3</sup> As explained earlier in this Chapter, PenFund tended to engage in short-term project based IORs, e.g. for building commercial properties, which are characteristic to the real estate sector, rather than long-term IORs.

another local partner, namely PartOrg 10<sup>1</sup>. Thereby, forming its first JV and, at the same time, establishing the first company in WSSAC to offer a formalised approach to properties management. PenFund's SID to form JV pmc, rather than outsource the management of its commercial properties, was due to its desire to increase its return on the funds which would have to be spent on the management of its properties. By signing a contract with JV pmc to manage its commercial properties, PenFund created profits for JV pmc and subsequently increased its own dividends. As such, it can be argued that the SID to form JV pmc and to link to PenFund's commercial properties shaped by the private sector logic.

Furthermore, as explained earlier, although the formation of JV pmc was motivated by the possibility of generating commercial rates of return, it also taught PenFund that a long-term IOR with a private partner can help to reduce public pressure and government interference. This is because JVs have Boards of Directors which include representatives from the partner organisations, and thus PenFund is not the sole decision maker. In this way it is more difficult for either the government or the public to influence PenFund decisions. The lesson learnt from the establishment of PenFund's first JV accelerated the formation of numerous other JVs in various sectors, but mostly in the real estate sector. However, because of the project-based approach in the construction industry, PenFund often has to use its bargaining power to convince potential partners to engage into long-term IORs, rather than just a project-based construction contract. Currently, PenFund tries to invest in the real estate sector by forming long-term JVs in which it has either a majority or a minority shareholding. Consequently,

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<sup>1</sup> PartOrg 10 is the State Insurance Company that was responsible for all the operations, such as collecting contributions and paying benefits, when PenFund was FunLumpSum (see previous Chapter). At that time the State Insurance Company was a governmental organisation. However, in the late nineties, due to the emergence of new societal-level logics, it converted into a public limited liability company as part of the WSSAC's government divestiture programme. However, WSSAC's government was its sole shareholder. Then, in the mid 2000's an Insurance Act required the State Insurance Company to separate its general insurance business from its life insurance business. By a special resolution, the State Insurance Company transferred the life business and assets into a separate public limited company, which currently has approximately 15,000 shareholders, but the government is still the largest single shareholder with a 40% shareholding.

PenFund also shares the ownership of these properties. This ‘new’ approach (cf. Bygballe and Ingemansson, 2014) to the development and ownership of properties has had a significant impact on the current structure of PenFund’s ION, as presented in Figures 6.1 and 6.5.

Moreover, by forming JV pmc, PenFund not only increased its return on investment by receiving dividends, but it also receives rent from JV pmc for its office space in one of PenFund’s commercial properties, namely ComProp 1 (see Figure 6.5)<sup>1</sup>. As explained by the interviewees, PenFund uses its bargaining power and shareholder activism<sup>2</sup> to expand its ION in the real estate sector by ‘convincing’ its potential and current partners to engage with PenFund existing IORs by, for example, renting office space in one of its commercial properties. One of the former DGs explained:

For the success of any commercial real estate, we need some very reliable long-term anchor tenants. And one of the things that we do when we are doing it [commercial real estate] we look around for some of the companies that we have partnerships with, for example, [Organisation x] and say, “we are doing this twelve stories, fifteen stories, whatever we are building here and we would appreciate if you could become one of the anchor tenants or whatever”. So yes, we use our influence a little to that extent, to get some of those partner companies in there (DG 2).

This former DG explained that PenFund’s influence can be “overbearing”, such that potential and current partners would not turn down PenFund’s suggestions, due to its resource power and political connections, especially as PenFund owns a significant amount of land spread around the country and this is needed by real estate developers. For example, CEO of PartOrg 1 explained that in order to develop the real estate that it wanted, the land owned by PenFund was needed and, therefore, they had to accept some of PenFund’s conditions which were

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<sup>1</sup> These were the first steps in an attempt to link PenFund’s real estate IORs. The connections are represented by dotted blue arrows in Figure 6.5.

<sup>2</sup> Shareholder activism includes, but is not limited to, negotiations with management and submitting shareholder proposals to board meetings (Wang and Mao, 2015). Furthermore, shareholder activism is inextricably linked to the issue of ‘power’. However, ‘bargaining power’ and shareholder activism will be discussed in more detail in the following Chapter, due to their relevance in the IOMCs deployed by PenFund.

unfavourable to his company. Additionally, PenFund, due to the contributions it receives, has enormous financial resources. As explained by DM Properties:

First of all, we [PenFund] are very powerful money wise. Secondly, because partners tend to think that we are a governmental institution, we have this governmental power – they fear us but, also they think sometimes that we can subsidise them. Nevertheless, private companies are also strong and powerful, mostly because of their expertise, but they still look at PenFund as a partner with unlimited financial resources which they can use to fund their project so we have the power to set the rules.

Therefore, it is argued that PenFund has strong bargaining power which facilitates the development of its ION. Further, several interviewees stressed that the significant majority of PenFund's IORs were formed through the inbound approach; i.e. when potential partners approach PenFund's relevant officials with an investment opportunity. As such, because of the asymmetric interdependence between PenFund and its potential partners, PenFund can afford to use its bargaining power to expand its ION. However, DG 2 claimed that PenFund does not exploit its potential partners by "imposing" its conditions. He explained:

For example, we have a company – a property management company called [JV pmc]. We, as much as possible, any time we are doing a real estate property involvement, we try to recommend [JV pmc]. *We would not impose* but we would recommend them [potential partners] to give a chance maybe to [JV pmc]. I would say, an extra chance, and a fresher treatment in consideration for the job of being the manager for the properties. But eventually it's up to them. *We would not impose it. We would not make that a condition* for a joint venture (DG 2, *emphasis added*).

Although, the DG claimed that PenFund does not impose conditions on its partners, PenFund's partners claimed that using the services of other PenFund's IORs is a condition for their cooperation with PenFund. The CEO of one partner organisation, which was supposed to use JV pmc as the management company for its JV with PenFund claimed:

Yes *it was one of the conditions* because, [JV pmc] has some relationships with PenFund so they are looking for work for them [...] (CEO PartOrg 1, *emphasis added*).

This behaviour of PenFund suggests that the private sector logic, whereby authority arises from shareholder activism, is enacted in the process of developing and coordinating PenFund's ION.

As such, on the one hand, the formation of JV pmc and the connection of this JV with PenFund's other ION members implies the enactment of the private sector logic. However, on the other hand, PenFund did not establish JV pmc only with the private international partner, but also, due to government and political interference, with PartOrg 10 in which WSSAC's government holds the majority of shares. Moreover, this JV was formed because there was no other real estate management company operating in WSSAC and the lack of such organisations was impeding the development of the real estate sector in the country. As such, the formation of JV pmc, which was PenFund's first IOR in the real estate sector, was also a result of the enactment of the public sector logic. As explained by the Corporate Affairs manager in an interview published in a one of WSSAC's newspapers, "[t]he investments in the real estate are usually in consonance with [PenFund] investment policy of being *part of the economic development of the nation without sacrificing its desired net yield*" (*emphasis added*). As such, these investments reflect both the private and the public sector logics.

Drawing on the above, the case evidence shows that IORs and the ION are not only developed as a result of the enactment of the private sector logic, where the basis of strategy is, amongst others, to increase profit through the diversification of the investments. But also that the ION formation is also a result of an interplay between the enactment of the private sector logic and the public sector logic. As such, the development of the IORs and ION also reflect the public sector logic which prioritises national goals.

Moreover, PenFund uses its political connections to link its multiple IORs. This also implies the enactment of the public sector logic according to which the 'logic of exchange' is based on political power. To be precise, PenFund supports many of its IORs and helps them to increase

their, and its own, return on investment. As explained by an Investment Analyst working in the Equities Department:

We [PenFund] are sometimes getting involved to the extent of looking out for business for them [IORs]. In such a way the profit will come to us at the end. We will get some dividends. One of our companies – the company I do not want to mention the name... Recently we got them a contract (Investment Analyst 3).

At first glance, this implies the enactment of the private sector logic according to which the ‘basis of strategy’ is an increase of profit and the ‘basis of norm’ is ‘self-interest’. However, PenFund’s support is often provided due to its political and other connections (kinship) with “key persons”<sup>1</sup>, who share the same political ideology as the ruling government and PenFund officials, such as the DG. As the MD of a partner organisation explained:

[...] when it was a different government to now, they [PenFund] had an arrangement with [JV pmc], and so they wanted that company in our JV contract. But when the government changed they [PenFund] said, “We don’t want to have this arrangement with them and let’s remove it from our JV contract”<sup>2</sup> (MD PartOrg 2).

This suggests that PenFund ‘supports’ IORs in which key persons share the same political ideology as the government, reflecting the organising principles of the public sector logic.

Furthermore, it has been observed that, in the ION formation process, employees in non-senior positions, who tend to be younger people, are more likely to enact the private sector logic, compared to senior employees who tend to be older. As such, non-senior employees are more likely to look for opportunities to develop the ION, despite the political ideology of the partners. Whereas, senior employees tend to adopt business practices built on the ‘older’ logics<sup>3</sup> of state and community, and institutions, such as kinship and political and government interference, underpinned by these older logics. Subsequently, senior employees tend to be

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<sup>1</sup> Key persons are people who represent their organisations in the IOR (Zahir-ul-Hassan et al., 2016).

<sup>2</sup> This is presented in Figure 6.5 by the orange dotted arrows, indicating that the IOR broke down.

<sup>3</sup> The ‘older’ logics and institutions are the ones that were extant in WSSAC prior the emergence of such ‘new’ societal-level logics as the corporation and the market, and prior to the implementation of the private sector logic.

more politicised and, therefore, their behaviour and practices, such as SID and IOMCs, are to some extent shaped by the public sector logic, or more precisely by ‘backroom politics’ which, as per public sector logic, is an ‘informal control mechanism’. This was confirmed by the CEO of other partnering organisation:

When the new directors [PenFund representatives] came [to JV x’s Board of Directors] they wanted us to amend the existing joint venture agreement and *that was also political*. I mean JV pmc was supposed to be the managing company of our JV as per the JV agreement and they [PenFund] suddenly decided to take JV pmc out. One of the new directors was going to introduce his own new company to manage our JV. But it wasn’t PenFund as a body who wanted to do this, but it was just individuals on the board of directors from PenFund, who came with the new government, and wanted to change things. Probably they were thinking that they will never leave the board (CEO PartOrg 1, *emphasis added*).

This CEO explained that, when the Government changed PenFund employed a new DG, some new trustees<sup>1</sup> and some new managers. Because of this, some of PenFund’s key persons, who were involved in the IORs’ Board of Directors and management, also changed. These new key persons tried to adjust some of the existing JV’s arrangements, including JV x’s agreement in which it was stated:

The Company [JV x] will enter into a separate facilities management and maintenance agreement for the administration, management and maintenance of the development with [JV pmc] (JV agreement p. 6).

However, the new key persons wanted to connect JV x with an external company, which was not the part of PenFund’s ION. This was because of their personal connections (kinship) with this company. The behaviour of such key persons can have a significant impact on the structure of the ION, meaning that the connections between the IORs in the ION may not be very long-lasting. However, because of the institution of kinships in WSSAC, this behaviour was considered ‘normal’ business practice. Such behaviour impedes the enactment of the private

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<sup>1</sup> With the changing government, the trustees who represent the government changed, but not the others.

sector logic and affects the returns which PenFund earns from its IORs. Furthermore, as the MD of one of PenFund's partners explained:

[...] PenFund is not a good partner because again, their objectives are not aligned with ours in terms of... they are all short-term employees rather than owners of the business, like myself. Because they are employees, their tenure is not secure and they get replaced relatively quickly, and hence PenFund's directors on the JV's board of directors also change frequently. So the problem that arises is that they look at things in a very short term viewpoint and the JV is not a short-term project. The project is nine to eleven years to build up and then renting etc. But since they're all employees and they're only there for a specific amount of time so they are like politicians. Their aim is – 'let me take as much as I can in the shortest time, before I leave' (MD PartOrg 2).

Following from this, it can be argued that PenFund 'adjusts' its IORs, either by making the ION more complex or by breaking down previously developed links between various IORs. These adjustments are based on the logics enacted by key persons who are usually in senior positions within PenFund. Thus, although, government interference in the real estate IORs might have been reduced through the establishment of long-term partnerships with various private partners, it has not been entirely eliminated. As discussed earlier in this Chapter, the government can have an impact on the partner choice, with politically connected partners having a greater chance of establishing an IOR with PenFund. Interviewees, such as the former DG and the DM Corporate Law explained, although PenFund follows the National Procurement Law, which requires an objective tendering process, due to political and personal connections the best potential partners are sometimes not selected.

Moreover, a Former Trustee added that proposals for IORs are not always properly reviewed due to personal and/or political connections. He explained:

The people who were the joint partners, apparently at that time knew some people at [PenFund]. So they [executives/Board of Trustees] didn't study the project very well, and a lot of money was being put into it with no results (Former Trustee).

Decisions like these can also affect the development and structure of the ION. As a result, the ION includes some IORs which would not be established if the partners did not have a personal and/or political connection with PenFund officials. Therefore, with a change of the ruling

government existing relationships can, in some cases, be disrupted or even break down (see Figure 6.5 – one IOR subsequently broke down).

Furthermore, PenFund’s investment portfolio and its ION in the real estate sector is shaped by various policies which the managers of PenFund have to follow; for example, the Pensions Act, the Assets Allocation Policy, the Investments Policy and Guidelines and the National Procurement Law, all of which incorporate both the public sector logic and the private sector logic. The ION is also influenced by regulatory bodies such as the NPCA, which recently recommend that PenFund should revise its assets allocation policy. Therefore, PenFund managers, the BoT and even the DG are restricted in their SID making. As a result, the size and the development of PenFund’s ION in the real estate sector are also limited.

Drawing on the discussion developed in this section, it can be argued that the ION development process reflects both the private and public sector logics. Therefore, it is considered a hybrid process, which helps PenFund to respond to the various demands arising from the institutional complexity. For instance, it enables PenFund to increase its returns, thereby meeting the expectations of the private sector logic, whilst at the same time contributing to the achievement of national goals by accelerating the development of the real estate sector in WSSAC.

## **6.5. Summary**

The current Chapter explains a complex relationship between PenFund’s institutional environment and the evolution of its ION in the real estate sector. More precisely, an analysis of the evolution of PenFund’s ION in the real estate sector, the formation of which was triggered by the emergence of new societal-level logics in WSSAC, and the subsequent implementation of the private sector logic in the pensions field, is presented in this Chapter. In

order to explain the ION formation process, an historical analysis was deployed, which allowed the researcher to examine the factors which contributed to the ION's development. Additionally, the historical analysis allowed the researcher to explore the initial stages of the investment process in the real estate sector. The problems in this initial stage provided PenFund with the conditions that facilitated the development of long-term IORs in the real estate sector and subsequently led to its ION.

The formation of long-term IORs and the subsequent development of the ION was PenFund's response to the multiple institutional pressures it faced. In this way, both the public and the private sector logics shaped the formation and the structure of the ION. This is partially because these logics and the institutions prevalent in WSSAC, such as kinship and political and government interference, also shape the behaviour of purposeful organisational actors, who are key persons in PenFund's IORs.

Furthermore, the fact that the formation of the IORs and the ION development process reflect various institutional logics, such as the public sector logic, the private sector logic and the 'economic logic of construction' (Bygballe et al., 2013), allows the researcher to argue that these processes are hybrid. This finding supports the argument, developed in the (intra-organisational) literature, that hybrid organisations, such as PenFund, respond to various demands arising from intuitional complexity by adopting hybrid practices and processes (Miller et al., 2008), which helps them to maintain their hybrid nature (Goodrick and Reay, 2011; Smets and Jarzabkowski, 2013; Battilana and Lee, 2014; Dai et al., 2016). The establishment of the ION enables PenFund to respond to the demands arising from the recently implemented private sector logic as well as the expectations arising from the extant public

sector logic. In this way, hybrid processes enacted by PenFund enable it to maintain its hybrid character<sup>1</sup> by fulfilling the expectations of stakeholders guided by different institutional logics.

However, PenFund has tried to develop its ION by enacting mostly the private sector logic. For example, PenFund has used its bargaining power and shareholder activism to link its multiple IORs. Nevertheless, the public sector logic and the informal institutions in WSSAC have impeded the enactment of the private sector logic within PenFund and, consequently, the evolution of its ION. This is partially because purposeful organisational actors respond to pressures arising from the implementation of the private sector logic through the lens of the public sector logic and institutions in WSSAC. Despite the institutional work undertaken by PenFund, the behaviour of purposeful organisational actors continues to enact such extant institutions as kinship and government and political interference. Furthermore, the evolution of PenFund's ION in the real estate sector is limited by various policy documents, which incorporate both the private and the public sector logics.

Drawing on the above, the current Chapter explains the (hybrid) process of ION formation by an organisation which faces institutional complexity, and how the ION is shaped by the multiple institutional logics and the institutions in the pensions and real estate fields as well as in the broader societal environment. Having explained the ION formation process and its structure, the following Chapter discusses the IOMCs that are deployed within this ION.

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<sup>1</sup> It has been argued in the literature (Battilana and Lee, 2014) that 'hybrid organising' which constitutes various activities, processes, and structures may help hybrid organisations to sustain their hybridity.

## **CHAPTER SEVEN: THE IOMCs DEPLOYED BY THE FOCAL ORGANISATION AT IOR-LEVEL AND AT ION-LEVEL**

### **7.1. Introduction**

The previous Chapter argued that the processes of the IORs and ION formation are hybrid processes (Miller et al., 2008), as multiple logics are reflected in these processes. This helps PenFund to sustain its hybrid character as a public organisation, contributing to the achievement of national objectives, while also seeking commercial rates of returns. Additionally, it was observed that the way in which purposeful organisational actors, who can be key persons in IORs (cf. Zahir-ul-Hassan et al., 2016), enact various logics impacts the ION's continuously developing and changing structure. As such, the previous Chapter provided some insights into the dynamics between IORs and IONs formation processes and the institutionally complex environment. In particular, it was explained how the IORs and wider IONs are formed by hybrid organisations under the conditions of institutional complexity in the context of developing countries.

The ION of PenFund, discussed in the previous Chapter, comprises IORs that involve [are] typical for profits-organisations. By engaging in IORs, such as JVs, with private organisations PenFund risks compromising its hybrid character (cf. Battilana and Lee, 2014). However, it is shown in this Chapter that the IOMCs enacted by PenFund are required to connect and mediate the organising principles of different logics. This means that, in order to maintain its hybrid character and meet the expectations of various stakeholders, PenFund incorporates multiple logics into some of its IOMCs. Therefore, these IOMCs can be viewed as hybrid practices (Miller et al., 2008). It is argued in the literature that in different organisations divergent logics can be enacted through hybrid practices in various ways (Greenwood et al., 2011; Pache and Santos, 2013a; Besharov and Smith, 2014). As will be showed later in the Chapter, some

IOMCs might combine and blend multiple logics leading to “blended hybrid” (Greenwood et al., 2011, p. 352), while other IOMCs practices might respond to separate institutional demands by partitioning and compartmentalising different logics leading to a “structurally differentiated hybrid” (Greenwood et al., 2011, p. 354). It will be explained in this Chapter that IOMCs as hybrid practices help PenFund to compromise and balance the various beliefs, expectations and rationales arising from different logics. In this way, interests of various stakeholders (institutional demands) are incorporated in the various IOMCs in different ways and to varying extents. By explaining how various logics are embodied in the IOMCs enacted by PenFund, this Chapter enriches our understanding of the dynamics between an institutionally complex environment and IOMCs development and use, particularly in hybrid organisations in developing countries.

It is argued that “accounting is a variable *bearer* of potential institutional logics, providing the mechanism for their realization and expression at the organizational level” (Miller and Power, 2013, p. 592, *emphasis in original*). However, there is a dearth of accounting research on the dynamics between accounting practices at the (inter)organisational level and institutionally complex environments (Lounsbury, 2008; Schäffer et al., 2015). Hitherto, management accounting studies, published in accounting journals, have focused on the impact of multiple logics on intra-organisational management controls (Ezzamel et al., 2012; Chenhall et al., 2013; Amans et al., 2015; Schäffer et al., 2015; Carlsson-Wall et al., 2016; Dai et al., 2016; Järvinen and Parker, 2016)<sup>1</sup> rather than IOMCs. Additionally, these studies all examine the

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<sup>1</sup> For instance, Ezzamel et al. (2012) and Amans et al. (2015) examined the impact of multiple logics on budgeting practices in such institutional fields as education in England and Wales and arts in France, respectively. Additionally, Amans et al. (2015) defined budgeting as a hybrid practice and introduced a concept of ‘hybrid budgeting’ (p. 62). More recently, Dai et al. (2016) researched how management controls, such as budgeting, performance evaluation based on KPI’s and investment appraisal, are guided by multiple institutional logics in recently listed state owned enterprise. They argued that all the examined practices are hybrid and help the case organisation to sustain its hybridity. Other studies, such as Chenhall et al. (2013) focused on the impact of multiple logics on performance measurement systems (PMS) and how divergent logics can be embodied in PMS. Carlsson-Wall et al. (2016) examined how managers in a Swedish football organisation utilise information from a PMS to

impact of logics in a specific institutional field, for example the educational field (Ezzamel et al., 2012) on deployed management accounting practices. In this thesis, the researcher goes a step further and examines the impact of IOMCs in the IORs and ION, which are at the intersection of the pensions field and the real estate field, thus marking the institutional realm even more complex. This study focuses on the way in which IOMCs deployed by PenFund are shaped by the multiple logics pertinent to those fields and how these logics affect the use of IOMCs at both the IOR- and ION-level.

The remainder of the Chapter is divided into four main sections. The following section (7.2.) explains the processes leading to formation of various IOMCs and presents the IOMCs identified in the IORs and ION of PenFund. This section intends to enhance our understanding of the IOMCs, which are presented in Table 7.1, by explaining their antecedents and genesis and the impact of various logics and events on their development. This is followed by section (7.3), which explains how PenFund uses the IOMCs identified in Table 7.1 to manage and control its dyadic IORs. Moreover, it is explicated how various logics are reflected in these IOMCs, i.e., how are they shaped by the institutional logics which pervade the institutional field. Furthermore, it is argued that, in addition to being shaped by institutional logics which dominate the pensions field, the IOMCs deployed by PenFund in its IORs in the real estate sector are also shaped by the logics pertinent to the real estate field. Then, the penultimate section (7.4) explains the IOMCs deployed at the ION-level. More accurately, the researcher elucidates how various IOMCs are used to coordinate PenFund's multiple IORs and how these are implicated in issues of power. Also, the impact of the institutional logics in shaping the

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compromise between the logics pervading the sports field. They reported that compromises made by various logics are situation-specific. It is worth noting that all these studies, apart from Dai et al. (2016), were conducted in developed countries. None of these studies examines logics extant in the poorest countries, e.g. in African countries, which face a myriad of logics in the institutional environment (cf. Tsamenyi et al., 2007). As such, a contribution of the current study arises from its institutional context.

IOMCs at the ION-level (in contrast to individual IOR-level), is highlighted. In this way, the difference between the uses of IOMCs at the IOR-level and ION-level is teased out. Finally, the last section (7.5) provides a summary of the Chapter.

## **7.2. Development of Various IOMCs**

The emergence of a new logic in an institutional field is an important event for organisations operating within that field. In addition to beliefs, prescriptions and rationales arising from the logics extant in a field, which guide organisational practices, emerging logics impose new pressures on organisations and subsequently their practices. As such, following the implementation of the private sector logic, PenFund was expected to implement practices that could meet expectations of the developing institutional field. In this way, PenFund became a hybrid organisation, which in order to legitimise its operations, must simultaneously meet institutional expectations similar to those faced by for-profits as well as not-for-profits organisations<sup>1</sup>. As one of the responses to the multiple pressures arising from institutional complexity, PenFund has diversified its investment portfolio, and amongst other things, it has started to invest in various forms of real estate developments, thereby forming different types of IORs<sup>2</sup> and consequently developing a complex ION in the real estate sector.

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<sup>1</sup> Organisational conformity with various institutional expectations is argued to be “an important source of legitimacy, resources and stability” (Ahrens and Khalifa, 2015, p. 106)

<sup>2</sup> As explained in the previous Chapter, the ION PenFund, formed in the real estate sector, comprises various forms of IORs, such as different types of JVs (construction JVs, such as JV a, JV b, JV c, JV d and JV x, and management JVs, such as JV mrkt and JV pmc), minority equity holdings in real estate companies and majority equity holdings in real estate companies. Additionally, the ION includes numerous fully-owned commercial properties (see Figure 6.1). The primary analysis of the research evidence revealed that the IOMCs deployed in the construction JVs are more complex than the IOMCs deployed in the other IORs. For example, the partner selection process for the construction JVs is made up of a tendering process, due diligence, negotiation and drawing up the JV contract. Whereas the formation of an IOR in the form of either a management JV or a minority/majority equity investment does not require either tendering or a complex negotiation process. Moreover, the contract for the minority/equity investments is in the form of a shareholder agreement, which is much simpler than a JV contract that incorporates both a shareholder agreement and additional arrangements necessary to form the JV. Moreover, it was observed that IOMCs deployed in the construction JVs included all the IOMCs deployed in other IORs, for example, shareholder activism, in addition to the IOMCs specific to the construction JVs, for example tendering. Due to the word limit of the current thesis, the researcher cannot discuss separately the IOMCs deployed in each type of IORs, therefore, it has been decided to focus on the IOMCs deployed in the construction

However, as a result of the enactment of the private sector logic through the lens of the public sector logic, and the impact of such institutions as kinship and political and government interference, PenFund has historically tended to make inefficient SIDs and consequently struggled to manage them. It was reported in one of the local newspapers<sup>1</sup> “[PenFund] had invested [local currency] 51,600,000 of [WSSAC’s] workers' money and earned only [local currency] 820,000 out of it as of 2004 [...]. Their investments were made in 40 unlisted entities, with only six of them being able to declare and pay dividends.” The interviewees explained that this was mostly happening because the vast majority of the investments in private organisations was made due to the political and personal connections (institutions of kinship and of political and government interference) of the senior managers in PenFund with the owners/directors/senior managers of the investee organisations. IORs in the real estate sectors tended to be formed for similar reasons. Additionally, prior to the diversification of the investment portfolio, PenFund assets were invested in Government Securities and, as such, it did not have in place any formal IOMCs to facilitate partner selection or assess the potential returns on its projects, e.g. investment appraisal methods. As such, when PenFund started to invest in equities and real estate it struggled to select the investment opportunities that would yield commercial rates of return. For example, there were no formalised rules regarding partner selection; thus PenFund’s decisions were guided by informal institutions<sup>2</sup>, such as kinship and political and government interference, rather than the private sector logic, and so it tended to struggle to find the ‘good’ partners. This is partially because, as explained in Chapter three, informal institutions embedded in traditional practices, rather than formal institutions embedded in formal rules and regulations, characterise developing countries, such as WSSAC, and subsequently shape the behaviour of organisational actors. Moreover, PenFund struggled

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JVs. However, as just mentioned, the IOMCs deployed in the construction JVs incorporate the IOMCs deployed in other IORs.

<sup>1</sup> Reference available on request.

<sup>2</sup> For a broader discussion on informal institutions see e.g. Helmke and Levitsky (2004).

with the effective management of its numerous IORs. For example, a Former Trustee explained:

Some partnerships were formed because of the connections, different type of connections, I mean friendship or some other relations, family, uncle of an uncle and so on and so forth, some political relations, etc., etc. For example, in one JV there was some political connection and that should [have] never happened. [...] So, when I joined I said that we had to take some decisions very, very quickly. There was too much money at stake. All they were doing was putting more and more money in low yielding investments. I thought, ‘what’s going on? We need to set some standards, some rules as how to manage all these partnerships.

In addition, a report of the Management Investment Committee (MIC) meeting revealed, that “the JV partners were noted to take advantage of [PenFund] during the procurement of materials and tend to make a lot of money during the construction process” and that some “JV[s] [tended] to align themselves more with the other partner to the disadvantage of [PenFund]”. The interviewees explained that this was mostly because PenFund had not developed sufficient IOMCs to effectively control its partners and the IORs. The situation described in the report issued by MIC created distrust between PenFund and its partners, and therefore a need for the development of new organisational practices, such as IOMCs, emerged. Moreover, other institutional pressures exerted on PenFund increased the requirement for formal IOMCs to be developed. For instance, institutional stakeholders, such as Organised Labour, demanded visibility of action in partner selection. As the CEO PartOrg 2, who formed a JV x with PenFund, commented: “everybody wants to find the people that use [PenFund’s] money”.

In order to address the need for the development of formal rules regarding IOMCs, PenFund revised its Assets Allocation Policy and Introduced Investment Policy and Guidelines, which briefly prescribe the procedures that should be followed by PenFund in its inter-organisational operations (see e.g. Figure 6.3). Simultaneously, PenFund used rhetoric to accentuate the

adoption of the private sector logic in its operations and it attempted to portray a private organisation identity in the way in which it makes its SIDs<sup>1</sup>. For example, it is stated in its Asset Allocation Policy that PenFund must “ensure *efficiency* in the *management of the investment portfolio*” (*emphasis added*) and “[c]ompete with other pension scheme fund managers in terms of production (efficiency of process), return (performance) and investment opportunities (pipeline).” Moreover, in one of the Financial Reports available to the public, it was noted that PenFund’s objective is the “prudent investment of the funds [PenFund] handle[s] so that maximum returns would be generated”. Implicit in prudence, efficiency and return/performance expectations was the assumption that IOMCs based on the private sector logic would be institutionalised and implemented in all IORs and the ION. This is because objectives, such as engaging in prudent investments, efficient management of the investment portfolio and generation of maximum return, overlap with the key values embedded in the private sector logic.

However, in order to maintain its hybrid character, IOMCs enacted by PenFund, to some extent, must still reflect the public sector logic. This is because to legitimise its operations and activities, due to its ownership, PenFund must retain its hybrid character. Although, PenFund forms IORs with private organisations, whose practices reflect beliefs, rationales and prescriptions of the private sector logic, the expectations arising from the public sector logic, for example the visibility of the partner selection process, cannot be ignored. As such, PenFund is expected to adopt IOMCs which embody both the private and the public sector logic. Therefore, as evidenced later in the Chapter, IOMCs are developed and used in the ways that enable PenFund to maintain its hybridity. This means that, although PenFund wants to reflect

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<sup>1</sup> This is because ‘the logic of investment’ (Thornton et al., 2012) differs between the public and the private sector logic. According to the public sector logic, PenFund commits its capital to socially targeted investments and public policies, whereas according to the private sector logic capital is committed to yield commercial rates of return.

the identity of a private organisation in the current pensions field, it cannot be transformed into an organisation focusing purely on generating commercial rates of returns without considering the ‘social expectations’ of its owners. On the one hand PenFund has to develop IOMCs practices that will enhance the performance of PenFund and generate higher returns, thereby producing value for its owners. However, on the other hand it has to meet the social expectations of the various institutional stakeholders and WSSAC workers. In response to this institutional complexity, PenFund has developed numerous IOMCs, as listed in Table 7.1.

*Table 7.1 IOMCs Deployed by PenFund in its ION*

IOMCs	
Formal	Informal
<b>Ex-ante</b>	
<ul style="list-style-type: none"> <li>• Selection of a ‘good’ partner               <ul style="list-style-type: none"> <li>○ Tendering process</li> <li>○ Due diligence</li> <li>○ Investment appraisal (NPV, IRR and Payback period)</li> </ul> </li> <li>• IORs contracts (shareholder agreement and JV’s contract)</li> <li>• Setting targets (ROI)</li> </ul>	<ul style="list-style-type: none"> <li>• Selection of a ‘good’ partner               <ul style="list-style-type: none"> <li>○ Backroom politics</li> </ul> </li> <li>• The use of bargaining power in the negotiation process</li> </ul>
<b>Ex-post</b>	
<ul style="list-style-type: none"> <li>• Behaviour monitoring practices               <ul style="list-style-type: none"> <li>○ Board monitoring (representatives on the Board of Directors )</li> <li>○ Staff Secondment</li> </ul> </li> <li>• Outcome monitoring practices               <ul style="list-style-type: none"> <li>○ Reporting practices</li> <li>○ The ION performance measurement system</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Shareholder activism</li> <li>• Backroom politics</li> </ul>

As shown in Table 7.1, the IOMCs relied upon by PenFund can be grouped into ex-ante and ex-post, and further divided into formal and informal<sup>1</sup>. Additionally, formal ex-post IOMCs can be divided into behavioural and output controls. As explained in the literature, behavioural controls tend to be proactive, whereas output controls are mostly reactive (Johansson et al., 2016). Ex-post IOMCs identified in PenFund include monitoring and reporting practices and performance measurement; and are divided into behaviour monitoring IOMCs, such as staff secondment and Board monitoring and outcome controls, such as reporting and the measurement of ROI.

Examining different types of IOMCs will be useful for developing our understanding of how various IOMCs are shaped by multiple institutional logics and how they are enacted by PenFund's purposeful actors to manage, control and coordinate its multiple IORs. Additionally, in order to further our understanding of IOMCs, the IOMCs deployed at the ION-level to facilitate coordination and the IOMCs deployed at the IOR-level to enable the management and control of specific IORs, will be discussed separately. Section 7.4 focuses on the analysis of IOMCs deployed to manage and control individual IORs, whereas section 7.5 focuses on the IOMCs deployed at the ION-level. The difference between uses of IOMCs at these two levels will be explicated in this section.

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<sup>1</sup> While the case study conducted for the current thesis was not constrained by a focus on any specific management controls framework (Simons, 1995; Tuomela, 2005; Widener, 2007; Chenhall et al., 2010), it became apparent from a review of the literature that the notions of formal (output and behaviour) and informal management controls and ex-ante and ex-post IOMCs provide a basis on which to elaborate the classification of management controls (Hopwood, 1972; Ahrens and Chapman, 2004; Tessier and Otley, 2012a, b) employed by public organisations in a mixed-type ION. As such, the researcher will be using the classification of IOMCs (ex-ante/ex-post and formal/informal) and the conceptualisation of network coordination and power, discussed in the Chapter two, to make sense of the IOMCs deployed by PenFund in its ION. This classification of IOMCs enables the researcher to explain not only the IOMCs deployed by the focal organisation to manage and control specific IORs embedded in the broader ION, but also to elucidate which IOMCs are used to coordinate the IORs. By deploying the institutional logics approach, the researcher will be able to explain how the IOMCs, which are developed by the focal organisation, reflect the multiple institutional pressures faced by an organisation operating under the conditions of institutional complexity.

### **7.3. IOMCs Deployed to Manage and Control Multiple Dyadic IORs**

The pensions field in which PenFund operates is a complex institutional environment. However, IORs formed by PenFund in the real estate sector operate at the intersection of the pensions field and the real estate field which makes the institutional realm even more complex, thereby exerting more institutional demands on PenFund. For example, when establishing an IOR in the real estate, PenFund must follow formal regulations prescribed by the National Procurement Law which, to some extent, regulates the real estate field. As a result, Pen Fund's IOMCs have to reflect not only the public and the private sector institutional logics, but also the logics which dominate the real estate field<sup>1</sup>. The following sections discuss how multiple logics are reflected in the IOMCs and how the enactment of various IOMCs is impacted, not to say impeded, by certain social norms, such as kinship, political and government interference, corruption, lateness and forgiveness<sup>2</sup>. This is because the behaviour of the purposeful organisational actors who are responsible for the enactment of IOMCs, reflect the informal institutions, which are manifested in the traditional behaviours in WSSAC.

#### **7.3.1. Ex-ante IOMCs**

As explained in the Literature Review Chapter, ex-ante IOMCs can be enacted through the partner selection processes and the negotiation process. Additionally, partner selection comprises both formal and informal practices. Furthermore, it was explained that the behavioural controls that specify the expected behaviour are usually agreed in this process. The ex-ante IOMCs identified in PenFund include the selection of a 'good' partner and the negotiation process during which an IOR contract, which specifies some of the behaviours expected from the partners, is agreed.

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<sup>1</sup> For more details on the real estate sector logics see the previous Chapter and, for example, Bygballe and Jahre (2009), Bygballe et al. (2013) and Bygballe and Ingemansson (2014).

<sup>2</sup> For more details, see section "Case Study Context" in Chapter five (p. 161-167).

### **7.3.1.1. *Selecting a ‘Good’ Partner***

Although it is argued in the literature that partner selection is one of the informal IOMCs (Dekker, 2004), it will be evidenced in this section that the selection of a good partner by PenFund contains many formal elements, such as the tendering processes, investment appraisal and due diligence. Various interviewees, for example the Former Trustee and two former DGs, suggested that the partner selection process was formalised in order to eradicate the negative impact of such informal institutions as kinship and political and government interference. The formalisation of the partner selection process reflects the private sector logic that PenFund is an independent business entity responsible for its own growth and the management of its (financial) performance through various formal management practices (see Table 5.1). As will be explained below, the formalisation of the partner selection process aligns some of the interests of institutional stakeholders and PenFund itself.

#### **7.3.1.1.1. Tendering Processes**

The selection of a ‘good’ partner in the real estate sector begins with a tendering process which, as explained in this section, is a ‘bearer’ of diverse institutional demands. PenFund is a public organisation and, therefore, must abide by the rules set out by the National Procurement Law. However, the National Procurement Law reflects both private and public sector logics. On the one hand, the law emphasises that its aim is to increase transparency and accountability in the public sector, which reflects the public sector logic. However, on the other hand, the National Procurement Law encourages competition to increase efficiency in the real estate field, which clearly reflects the private sector logic.

As explained by the CEO PartOrg 1, a construction company cannot just form a partnership with PenFund and use PenFund’s resources to construct real estate, but ‘the visibility of action’

in the partner selection process must be followed through a tender process<sup>1</sup>. The CEO PartOrg 1 explained:

I was always excited about what [PartOrg 2] have done, about their vision. I was excited about their drive and wanted to do develop something with them. But, as you know, we [PartOrg 1] are not contractors, but our main advantage is the fact that we have the nose, we have the ears, we have the eyes to select the best among the lot. So we saw this opportunity, the huge land. This was the only address, the only place actually, where you can get that kind of land in [the capital of WSSAC] and we knew it belongs to [PenFund]. I got the vision to get together with PartOrg 2 and build something together. I live in [xyz] an estate development which was done by PartOrg 2, so I have a personal relation over there. I and [MD PartOrg 2] are good buddies, so I spoke to him to join us. I thought they would be a good fit for what we wanted to do on this land. So then we teamed up with them and we went to [PenFund] and said listen this is what we want to develop; are you interested? *Because of the National Procurement Law [PenFund] decided that it should be put on tender, but this is also normal for the construction projects.* So then there was a tender, which was about four or five companies, but our proposal was selected as the best. So then we did the Joint Venture, and [PenFund] came in with their land, which was at that time valued at about 1 million 900 thousand dollars (*emphasis added*).

Drawing on the above it appears that the tendering process is not only deployed because PenFund has to apply the procedures and policies prescribed by the government (the National Procurement Law); thereby reflecting the organising principles of the public sector logic. The CEO PartOrg 1 explained that tendering procedures are the norm in the real estate sector. This is in consonance with the argument in the construction management literature that tendering processes are traditional procedures which characterise the behaviour of actors in the construction industry (Gadde and Dubois, 2010). Such processes enable land owners to select the partner which has ‘the best offer’, i.e., the most cost efficient solution. Therefore, tenders can be thought of as “established norms for efficient behaviour in construction” (Gadde and Dubois, 2010, p. 259)<sup>2</sup>. In this way, tendering processes deployed by PenFund reflect the logics

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<sup>1</sup> As explained in Chapter six, after the emergence of the private sector logic, PenFund “*Face[s] a greater degree of scrutiny* (sometimes hostile) from domestic critics.” (Assets Allocation Policy).

<sup>2</sup> This means that “[e]conomic efficiency is assumed to be obtained through competitive tendering procedures” in the construction industry (Gadde and Dubois, 2010, p. 258). However, tenders are inextricably linked with the focus on individual construction projects where relational elements of IORs are ignored (Thompson et al., 1998) (Thompson et al., 1998). “These features of interaction function as barriers to adaptation and mutual orientation”

of the real estate sector and, to some extent, the private sector logic in pensions field. The DM Corporate Law explained that that ‘the cost efficient approach’ is reflected in PenFund’s practices and that, in order to ensure economic efficiency, the Tender Committee<sup>1</sup> must recommend to PenFund the partner which makes the best offer (the most cost efficient solution) in their investment proposal. The DM Corporate Law commented:

So after you meet all the requirements you look at the price, so if your price is the lowest, yet you can meet what we want, we will give you the contract to joins us. So generally that’s what it is.

Furthermore, PenFund is subject to public scrutiny, which means that PenFund’s owners require its action to be ‘visible’. As such, one of the informal control mechanisms enacted through the tendering processes, and reflecting organising principles of the public sector logic, is the ‘visibility of action’. In this way, the tendering process is a legitimising device, which allows PenFund to rationalise its partner choice to the owners. The DM Corporate Law explained that in order to ensure the visibility of action expected by PenFund’s owners and to ensure that everyone in WSSAC is given an equal chance to take part in a tender, the tendering process is “a transparent process”. He further explained:

We put an advert in a newspaper that PenFund wants to develop a real estate and we require interested consultants or partners to join us. So interested people should put in their bid. But first and foremost there is a National Procurement Law which determines all these things. So they [potential partners] put in their bids. We give a date, a timeline for the bids to be submitted to us. So they put in their bids in sealed envelopes. We have a box that we put them in and we lock them and then we have a day that we are going to open the tenders so on that day we invite all the people that bid, all the representatives to come, we have a conference room in the other block. So they will all come, we have the box there and we open the box and then we open the sealed envelopes and then we read what is in there for the hearing of everybody. Then we, the members of the Tender Committee, we record... we have a document that records all these things [...] Then we tell them now you can go and you will hear from us (DM Corporate Law).

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(Gadde and Dubois, 2010, p. 258). This is because for each new construction project new tenders are conducted and new IORs are formed, “implying that previous experience remains untapped and unexploited” (ibid, 260).

<sup>1</sup> Each organisation, which is obliged to engage in tendering processes in WSSAC, is also obliged to form a Tender Committee. In PenFund, the tendering committee comprises the managers and executives as the Management Investment Committee, see previous Chapter.

However, the tenders are then reviewed internally by the Management Investment Committee (MIC) /Tender Committee<sup>1</sup>. In this review process the ‘visibility of action’ is sometimes replaced by the ‘backroom politics’<sup>2</sup>. For example, one of PenFund’ partners explained:

[...] PartOrg 1 had sort of a connection with [PenFund] and we partnered with PartOrg 1, and then we went into the competition [tender] and then we won the competition. And then that’s how it all worked. [...] They [Part Org 1] have a connection within [PenFund] that would sort of give us a competitive advantage (MD PartOrg 2).

This was echoed by one of the former DGs:

We go through the due diligence process – the criteria for the tender process – but I can say that we are an institution made of humans so it’s possible that somebody will say, “Well, we know these people. Let’s partner with them” (DG 1).

In addition, the CEO PartOrg 1 gave an example:

Unfortunately, in 2008 there was a change of government, so when the new government came in, the [PenFund’s] Board of Trustees is mainly appointed by government, so there were new members on the board and everybody wanted to find out how we got this project [JV]. Because this is a huge project and everybody wants to find the people that use [PenFund’s] money. So they wanted to find out what it is all about, a bit of politics. So then a new chairman on our [JV] board, because he is appointed by PenFund, wanted to understand the entire structure of the JV and how it works. I mean *politically some people thought that I belong to other party that lost, so therefore they [PenFund] don’t have to work with me any longer,*<sup>3</sup> and then most people also didn’t know what is it that we do, because we do not advertise. So they were wondering how we will be able to do a project of that magnitude, so they did their own back and forth and that delayed our work. Then a new chairman also had his own agenda [...] (*emphasis added*).

Following from the above, it can be argued that the informal institutions of kinship and political and government interference, which result in backroom politics and reflect the public sector

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<sup>1</sup> As explained in the previous Chapter, following the emergence of the private sector logic, PenFund formed the MIC, which is headed by the DG. The MIC provides various GMs and DMs with an opportunity to review and comment on investment proposals. Additionally, according to the National Procurement Law, PenFund is required to form a Tender Committee. In PenFund the MIC takes the role of a Tender Committee.

<sup>2</sup> One of the organising principles underpinning the institutional logics is an ‘informal control mechanism’ (Thornton et al., 2005; Thornton et al., 2012), which in the public sector logic comprises various elements, such as ‘visibility of action’ and ‘backroom politics’. This is because, as explained earlier, the public sector logic is a field-level logic, and is nested in societal-level logics, such as the state and the community logics. As per the state logic, the inform control involves backroom politics, which is inextricably linked to government and political interference, while as per community logic informal control is based on the visibility of actions, which allows various institutional stakeholders to monitor the actions of PenFund.

<sup>3</sup> The informal discussion with the CEO PartOrg 1 revealed that he is not a member of any party, but he is a politically active person strongly supporting the political ideology of the former government. Additionally, during the observation process it became evident that the former DG of PenFund (DG 1), who was the DG at the time when the JV between PartOrg 1 and PenFund were formed, is a close friend of the CEO PartOrg 1

logic, reduce the effectiveness of the formal IOMC practices, such as tendering processes. Therefore, although partner selection is a complex IOMC, based on various formal rules, the best possible partners may not be always selected. In this way, not only is the effectiveness of the tendering, due diligence and investment appraisal processes reduced, but the process of developing formal management practices is also impeded, as well as the enactment of the private sector logic. Nevertheless, before the results of a tender are revealed, PenFund must conduct a due diligence<sup>1</sup> and investment appraisal, otherwise the BoT cannot approve a partner suggested by PenFund. Both, the due diligence and the investment appraisal are intended to ensure that a 'good' partner is selected.

#### 7.3.1.1.2. Investment Appraisal and Due Diligence

Investment appraisal has become a formal IOMC practice as it enables PenFund to present an image of operating like a private sector organisation. The investment appraisal is conducted by Investment Analysts from the Equity Department, who explained that they apply various accounting tools used by private businesses, such as Net Present Value (NPV), Internal Rate of Return (IRR) and Payback Period. In this way, they recommend a partner whose proposal is the most economically viable based on the private sector logic.

Moreover, Investment Analysts from the Equity Department are partially responsible for the due diligence. They focus on the financial due diligence, while technical due diligence is conducted by the Project Development Department (PDD), land due diligence<sup>2</sup> by the Properties Department and legal due diligence by the Corporate Law Department. A potential

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<sup>1</sup> For more details on due diligence see the previous Chapter.

<sup>2</sup> As explained by the MD PartOrg 2, who is a real estate developer, land due diligence is a common practice in the real estate sector.

partner who does not pass the due diligence tests cannot form an IOR with PenFund<sup>1</sup>. In this way, the deployment of comprehensive formalised procedures in the partner selection process enables PenFund to meet the expectations of its various institutional stakeholders that it selects partners with a ‘good reputation’ and who offer an economically viable proposal.

Furthermore, previously only senior executives appraised potential investments. As explained by the GM IDD, investment appraisal was a decision made by the GM IDD and the DG. Following the emergence of the private sector logic in the pensions field, investment proposals put forward by potential partners have been evaluated and reviewed, not just by the GM IDD and the DG but also by MIC. This has enabled Investment Analysts to be involved in the appraisal process. This means that, in contrast to before the opinions of non-senior staff can be heard and their concerns can be expressed in the partner selection process. This is inextricably linked with the corporatisation of PenFund and its shift to a U-form organisational structure. As such, the formation of IORs and the personnel involved have been guided by the private sector logic. The new procedure has had a positive impact on the quantity and quality of information about proposed real estate investments communicated within PenFund. This suggests that, even though the funding of PenFund’s assets has not changed following the emergence of the private sector logic, potential partners are now selected in a much more careful way<sup>2</sup>. This is partially due to the increased competition in the pensions field and the subsequent pressure on PenFund to “*to keep the Trust [i.e., PenFund] competitive in this very challenging market*” (Financial Report, 2013).

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<sup>1</sup> As explained earlier in the Chapter, PenFund is a subject to public scrutiny and cannot afford to enter into a partnership with such an organisation. Partner organisations, namely PartOrg 1 and PartOrg 2, confirmed that PenFund conducted detailed due diligence on them, despite the connections that the CEO PartOrg 1 had with PenFund at that time.

<sup>2</sup> JV x formed with PartOrg 1 and PartOrg 2 was the first JV established by PenFund in the real estate sector and, therefore, at that time the formalisation of partner selection was still in an early development phase. Interviewees, e.g. DG 2, claimed that nowadays the partner selection process and other IOMCs deployed by PenFund are enacted more rigorously.

However, although non-senior staff have now been given the opportunity to ask questions about investment decisions, and their interests and expectations need to be taken into account, the decision to forward an investment proposal to the BoT still belongs to the DG, rather than MIC, and the final decision to form an IOR rests with the politicised<sup>1</sup> BoT. So, while the private sector logic has evidently guided the partner selection procedures, the public sector logic, or more precisely the institutional demands of the government, continue to exert an influence on PenFund. This is because the approval of the BoT is a prerequisite for the formation of an IOR, or any other investment. So, although the MIC might see an investment proposal as promising, it could be difficult to obtain BoT's approval if the proposal is not politically popular and does not reflect the demands of the BoT's constituents.

Drawing on the above, PenFund must cut through a lot of red tape before it can obtain the final approval to form an IOR in the real estate sector. In consequence, delays in the formation of IORs can occur. What is more, due to the increasing competition in the pensions field, this can sometimes lead to PenFund losing desirable IORs opportunities. As such, despite PenFund's attempt to present the identity of a private sector organisation, especially in the way it selects its partners, due to it being a quasi-governmental organisation, PenFund is obliged to reflect the public sector logic through compliance with the expectations and requirements of the government and its owners. Nevertheless, following the emergence of the private sector logic, given that more employees are now involved in the investment appraisal and various measures have to be undertaken before an IOR is formed, investment appraisal at PenFund has not only become formalised but also more rigorous. This allows, the political pressures from the government to be somehow minimised. Subsequently, through the development of formal

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<sup>1</sup> As explained in Chapter five, the BoT is dominated by the government representatives, “[...] so the government knows what is going on” (Former Trustee). As such, the BoT is often subject to government and political interference, and therefore it is prone to approve politically popular investments which reflect demands of its constituents (cf. Wang and Mao, 2015).

management practices, PenFund can manage its investment portfolio more efficiently and be responsible for its own performance. The Former Trustee explained that the formalisation of the partner selection processes is a positive change, not only for PenFund's IORs, but also for PenFund itself. It facilitates PenFund's endeavours to be competitive in the increasingly competitive pensions field. Additionally, the introduction of formal investment appraisal methods is a step forward in presenting the identity of private organisation. As such, PenFund seems to be better equipped to grow, to be competitive in the pensions field, and to yield commercial returns.

Drawing on the discussion presented in this sub-section, it can be concluded that in order to maintain its hybrid character, the partner selection process has been implemented in a way that encompasses the multiple institutional demands which PenFund has faced following the emergence of the private sector logic. The organising principles associated with the public and private sector logics, as well as the logics prevalent in the real estate sector, are reflected in various aspects of the partner selection processes of PenFund. Therefore, partner selection can be considered a 'hybrid practice' that connects and mediate various logics. As such, the partner selection seems to resemble 'blended hybrid' (Greenwood et al., 2011).

Additionally, drawing on the above it can be argued that the institutional demands of stakeholders who are guided by public sector logic can shape actions informed by the private sector logics (cf. Goodrick and Reay, 2011). For example, the visibility of action in the partner selection process forces PenFund, to some extent, to select partners who are neither politically affiliated nor personally connected to senior managers in PenFund, but instead partners who

have the best (cheapest) proposal<sup>1</sup>, and this reflects private sector logic. In this way, the selection of a good partner can be thought of as a hybrid practice which links and reconciles various logics. Following from the above, it can be claimed that the different ways in which various organising principles, which comprise divergent institutional logics, guide partner selection practices help to maintain the hybrid nature of PenFund.

Nevertheless, the research evidence also revealed that the selection of ‘a good partner’ can be impeded by informal institutions, such as kinship and political interference. Thus, it can be argued that these informal institutions, which are embedded in traditional behaviours, can sometimes ‘overpower’ formal institutions arising from rules and laws, e.g. National Procurement Law, and can consequently have a negative impact on the enactment of IOMCs. For example, the best potential partner may not be selected. This supports the argument in the literature that the immaturity and informality of institutional environments in developing countries can be problematic for organisations (see e.g. Tsamenyi et al., 2007; Everett, 2012; Chrysostome and Molz, 2014; Silvestre, 2015).

#### ***7.3.1.2. Negotiation Process and the Design of IORs’ Contracts***

The negotiation process, which also involves the development of the IOR contract, is another practice that PenFund has attempted to formalise by specifying rules. The people normally involved in negotiations are the DG, the GM IDD, and either the GM GCD, or the DM Corporate Law together with whoever else is asked from the IDD Division, usually the DM Equity and the DM PDD. The aim of involving managers from different divisions and departments is to ensure that the expectations concerning technical, financial and legal issues

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<sup>1</sup> This conclusion supports Amans et al. (2015) who argue that various pressures stemming from multiple institutional logics in an institutionally complex environment do not need to be ‘mutually incompatible’ (cf. Greenwood et al., 2011).

are met. Although there were no formal rules which these managers must enact in the negotiation process, during the data collection PenFund was drafting a JV Policy to formalise the negotiation process. This JV policy will set out expectations concerning potential partners to be executed by the managers involved in the negotiation process and must be designed into the IOR contract. In this way, this ex-ante IOMC will enable PenFund to set out ex-post behavioural controls for monitoring IORs. The DM Corporate Law explained:

Recently, let's say in the last two weeks or three weeks, we have been developing a policy that should guide us when we are entering into a [real estate] Joint Venture or negotiating for a Joint Venture. For instance, we have decided that ordinarily we will take the majority shares, so either 60% or 70%.

This emerging JV Policy intends to disrupt some of the traditional informal institutional arrangements present in PenFund and to introduce new formalised institutional arrangements reflecting the private sector logic. This is because, as the draft of the JV policy states several times, the new rules will be implemented to avoid past experiences. For example, “the committee decided on the formation of the Project Implementation Team (PIT) made up of construction professionals to have monthly meetings on technical issues *to avoid past experiences*” (*emphasis added*). Furthermore, the draft prescribes (1) an ideal JV structure based on “the *objective of maximizing returns* for the scheme, [PenFund] must have a controlling stake but considered on a case by case basis with preference for a 60-70% equity stake” (*emphasis added*). (2) an ideal capital structure to ensure that PenFund “*does not bear too much risk* considering its equity participation in the partnership” (*emphasis added*). (3) an approach to the construction of real estate which will involve “in-house construction where the partner provides construction and procurement”. This is because “it was noted that, when the JV engages a contractor, the construction cost goes up due to the payment of the 17.5% VAT by contractor”, thus, henceforth the construction approach “should be in-house construction *with strict controls to ensure [PenFund] receives value for money*” (*emphasis added*). Finally,

(4) the objective of the project (to sell or rent) is to be considered on a project by project basis. As such, the JV policy sets out rules which, to some extent, reflect the private sector logic, such as getting ‘value for money’. However, it is also stated in the draft JV policy that PenFund should “*encourage the use of local materials*” by the newly formed IORs so it can contribute to the country’s development. In this way, the demands of institutional stakeholders guided by the public sector logic are also incorporated in the policy and should be enacted in the negotiation process. An analysis of PenFund’s JV x agreement revealed that there are clauses which formalise the JV’s commitment to using the services certain companies. Additionally, the draft JV policy also instructs PenFund’s managers to formalise the use of behavioural controls. These behavioural controls allow PenFund to verify whether an IOR sticks to the contract. For example, it is stated in the JV Policy, that PIT must be “included in the JV agreement to make the enforcement easier”.

Drawing on the above, it is argued that the emerging JV policy is an attempt to formalise ex-ante IOMCs, thereby implementing formal management practices. Although the JV Policy is to be deployed at the intra-organisational level, it facilitates the management and control of IORs and the ION. These formalised management practices introduce rules that are shaped by both the public sector logic (e.g., recommendation to buy from local companies) and the private sector logic (e.g., maximise returns), as well as real estate sector practices (reduce costs of the construction)<sup>1</sup>.

As explained in the Literature Review Chapter, issues of power are often implicated in IOMCs. It was observed that PenFund tends to have significant (bargaining) power, due to its resources.

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<sup>1</sup> The organising principles of the logics permeating the real estate field and the private sector logic in the pensions field are, to some extent, aligned.

For example, as mentioned earlier, PenFund owns a lot of land, which is desired by real estate developers. Because of this, PenFund is able to ‘insist’ on its terms in the negotiation process. The GM GCD explained that “we [PenFund] do[es] all those things to make sure that we have control and that the project is *in the interest of [PenFund]*” (*emphasis added*). The use of bargaining power in the negotiation process reflects the organising principles of the private sector logic, such as ‘self-interest’, which in this case is the interest of PenFund.

Although partners of PenFund are often not satisfied with the results of the negotiation process, they must accept it if they want to use land which is owned by PenFund. For instance, the MD PartOrg 2 explained that he is very dissatisfied with the JV structure, as his company owns only fifteen percent of the shares in JV x, while PartOrg 2 and PartOrg 1 wanted fifty percent between them, but PenFund would not agree. The MD PartOrg 2 explained:

I would say though, it’s not the best structure. Because, if it had been 50/50 as we proposed at the start, then the objectives would be aligned. Now the objectives are not aligned because we’re not the same percentage. So we’re only fifteen percent in this joint venture, but then of course we’re hundred percent on the construction side. So of course we will aim to maximise our construction profitability at the expense of the development profitability because we’re only going to share fifteen percent of the development profitability; whereas we will obtain hundred percent of the construction profitability. So, for me, it’s not a good model.

The MD suggested that because of the ‘unfair’ structure partners may try to take advantage of PenFund in the construction phase. However, in order to avoid such a situation (which tended to happen a lot in the past) PenFund will introduce the PITs.

Furthermore, according to interviewees from PenFund, such as the GM GCD and the GM IDD the informal institutions, such as kinship and political and government interference, have no influence on either the negotiation process or the IORs contracts. GM IDD commented: “I think at some point, you try to be very professional. If you allow your personal sentiment to go inside

then you may lose the win-win thing”. However, as indicated earlier in both this Chapter and the previous Chapter, PenFund’s partners suggested that political and government interference can have a negative impact on the enactment of IOR contracts. For example, when a new government is (re-)elected and new persons are nominated to represent PenFund in the IORs, they may want to review existing contracts, if they suspect that the IOR was formed due to political and/or personal connections, and that the contract is not protecting the interests of PenFund.

In summary, the attempt to formalise the negotiation process, by drafting a set of rules in the form of a JV policy, reflects the organising principles of the private sector logic. However, the public sector logic is also reflected in the emerging JV policy. For example, the draft policy suggests that, in the negotiation process, PenFund should encourage partners to use local products, as well as seeking cost efficiency (value for money). As such, the negotiation process and IORs contract can be considered a ‘hybrid practice’ that links and balances the public and the private sector logics as well as enacting the real estate logics. Although various aspects of the negotiation and the contracts are guided by divergent organising principles, they are combined and layered into an IOMC. This, again, exemplifies a ‘blended hybrid’ (Greenwood et al., 2011), which helps PenFund to maintain its hybridity. However, the enactment of formal rules reflecting the private sector logic is, to some extent, impeded by informal institutions such as kinship and political and government interference.

### 7.3.2. Ex-post IOMCs

PenFund deploys various ex-post IOMCs, made up of a mix of both formal and informal IOMCs (see Table 7.1). However, most of the ex-post IOMCs are formal IOMCs, although shareholder activism is an informal IOMC. Formal IOMCs comprise behaviour monitoring practices, such as Board monitoring and the secondment of staff to the managerial positions in JVs, and output monitoring practices, such as reporting outcomes. The behaviour and output monitoring practices deployed by PenFund are inextricably linked as one of the purposes of behaviour monitoring practices, upon which PenFund relies, is to report what is happening in the IORs to the DG and the GM IDD.

A construction JV formed by PenFund “is a separate legal entity which operates in the real estate sector” (DM Corporate Law). Although, the formation processes take place at the intersection of the pensions field and the real estate field, the operations of the JV take place in the real estate sector. As the DM PDD put it:

As soon as a JV is legally formed, its operations and practices are the same as any other company in the real estate industry in [WSSAC]. I am an architect, and I look at our projects in the same way as the architects from the private companies do. So when I am a director on a JV board, I look at the designs, I check if they are cost efficient, if the construction is falling within the time frame, if the constructions budgets are met, etc., etc.

This was echoed by one of the Investment Analysts who explained:

We will also be checking viability of the project. We want to check whether we are really on track or if maybe there will be costs overruns along the way due to the way things are going on the site or any other thing that comes up. [...] We basically have Excel Sheets that we plot certain fees into so as you get an update or you think something is going on that will have an impact on project viability you can quickly input those figures and then you check on how the project will perform financially (Investment Analyst 1).

The above indicates that the way in which PenFund’s construction JVs operate in the real estate field reflects the private sector logic. As the former DG put it:

We go into these partnerships with private business to make profits. Our objective is the same as theirs – to make profits. They have expertise we have resources: land and capital, so work for both, doesn't it? But, of course we are socially responsible, firstly we look for good local partners. And secondly we build real estates so people have places to live. If we weren't socially responsible we could invest in some foreign stock markets etc., but instead we build locally. Let's not confuse public organisation with a charity, we can't build and give it away because we need to pay pensions. So once we start running a JV we 'play' the same as other shareholders (DG 1).

As will be explained in more detail in the following section, the IOMCs that PenFund deploys to monitor the performance and output of its individual IORs also reflect the private sector logic. Contrary to the ex-ante IOMCs that are hybrid practices and blend various logics, ex-post IOMCs at the IOR-level reflect the private sector logic. What is more, these ex-post IOMCs facilitate PenFund's adoption of the identity of a private organisation in the way it manages its IORs.

#### **7.3.2.1. *Behaviour Monitoring Practices: Board Monitoring, Shareholder Activism and the Secondment of Staff***

As explained above, construction JVs in the real estate field are structured into 'independent business entities' which, in theory, are responsible for their own growth. However, as explained in the previous section, PenFund tends to negotiate a controlling interest in these JVs and a majority of the Board of Directors (including a Chairman). Therefore, the 'independency' of those JVs becomes questionable. Several interviews, such as the DM Equity, the DM Project Management and the Investment Analyst 4, explained that Board monitoring is one of the PenFund's key behaviour monitoring IOMCs (cf. Dekker, 2004). PenFund appoints its own representatives, selected from its management team, the BoT and external professionals<sup>1</sup>, to the JV's Board of Directors. These representatives are 'key persons' (Zahir-ul-Hassan et al.,

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<sup>1</sup> Selecting Trustees and external professionals is a new trend in PenFund, introduced because some of PenFund's managers were thought to be "misbehaving", i.e. not working in the best interest of PenFund, but pursuing their own agenda, often due to informal institutions such as kinship and corruption.

2016), who are responsible for the representation of the interests of PenFund. As such, this IOMC reflects the private sector logic. This is because, private businesses are guided by ‘the self-interest’.

Additionally, through the deployment of this IOMC PenFund can enact control/authority in a similar fashion to private sector companies. To exercise control, the ‘key persons’ need to take an active role in the strategic decisions of the IOR<sup>1</sup>. However, these persons often lack the necessary expertise in the real estate field and PenFund’s partners consider its ‘board monitoring’ as unnecessary interference. The MD PartOrg 2, who represents his company on the Board of Directors of JV x, explained:

They try to interfere with the raising of the money, with the whole system, basically. At the project level we don’t need their input. It would be perfectly fine if they just left everything up to us. It’s what we do, it’s why you partnered with us. We have a saying in Europe<sup>[2]</sup> “You don’t buy a dog and bark yourself”, what’s the point? If you have a dog, then let the dog do what it does. Don’t pretend to be a dog yourself, because obviously you’re not. You don’t know what to do, and you just slow everything down, because we have to explain you everything.

Although the authority of the Board of Directors is underpinned by the private sector logic, the way in which PenFund’s organisational actors enact Board monitoring decreases the efficiency of IORs (slows everything down), rather than increases it, as per the private sector logic. As MD PartOrg 2 put it:

It [the role of the Board of Directors] should be to overlook the management and give direction, but it ends up being a mess, pushing for things that aren’t really in the best interests of the projects at the time. [...] The management is not managing, the board is trying to manage, but the Board cannot manage because everyone is busy doing their own things, so they just waste my time and things get delayed and then it’s just a mess. Management should manage, and should support the Board.

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<sup>1</sup> As explained by the DM Equity, the role of PenFund’s representatives is “to give the strategic direction, to monitor etc. So right from the beginning you must ensure there is a business plan in place. If anything new is happening, you need to know about it. Also, you need to know that you are covering the budget. The management must present the budget and you should understand all the items. Also you should know all the procedures that the JV follows”.

<sup>2</sup> MD of PartOrg 2 is from a Western European country. However, the name of the country must be concealed to maintain confidentiality.

In this way, PenFund's representatives can impede the enactment of the private sector logic in its IORs. As the MD of PartOrg 2 further explained:

[PenFund] engaged me to help to do this thing [construct a real estate], so why don't your people [PenFund's representatives] listen to me when I'm telling you *the most cost-effective way to move this forward*? You don't listen to me because this is not in your interest. You have your own agenda which is not the best for the project, it's your own agenda which is 'Let me take some'. *They're like politicians, their aim is to get as much as they can while they are there, in PenFund. They're all employees, they're only there for a specific amount of time.* I find it very frustrating. It is just a mess, just the confusion... I'll give you an example here. They [PenFund's representatives] wanted to do some consultation for a legal opinion on this hotel contract. This thing, I could get it done for free in our office. We have some lawyers who work here all the time. *But again, this is the sort of personal interest that people from [PenFund] have so they push in a certain direction as they have some friend who is a lawyer.* I have built two hotels, one for someone else and one for us and we're just building another two now so I know how this whole thing works back to front. I don't need to spend anything for any advices. And they bring some lawyer and want to charge us [JV x], I think 25,000 or 30,000 [WSSAC's currency], for what? To advise me on a contract which is a standard form of contract. Minus 30,000 [WSSAC's currency] for this? Out of which, 4,500 [WSSAC's currency] is mine [<sup>1</sup>]. So I don't want to pay because I don't need to. For that 4,500 [WSSAC's currency] I could get it done here, I could even get it done for free. Don't even have to spend anything, *so why do you want us to spend this money? Because you're going to put some of it in your own pocket. You're going backwards because again of self-interest of certain people pushing certain elements forward.* Another example, they all went to Dubai to sign a letter of intent. About five or six people went out, they were even going to take this lawyer. Imagine the cost! But, this is not their money, [PenFund] has money from [WSSAC's] workers. I didn't even go because I said, you don't need to. I said, "I'm not going. For what? To waste money, and to sit there and to do what?" I said "I've signed two of these things this year, in my office." It was sent to me by email, you read it, you sign it, and you send it back to them, end of. Have a few conversations on the phone, that's it. For a week, I think, they went there, just a jolly, a waste of money, and time. And again, for me there're things you need to do first and this isn't one of them, not now, you're just wasting time and wasting money. *That's not how real estate works (emphasis added).*

Drawing on the above, it can be argued that although the private sector logic is reflected in an IOMC, such as 'Board monitoring', the behaviour of the individuals who are responsible for the enactment of this IOMC tend to be guided by institutions pervading WSSAC, for example, kinship (nominating a lawyer who is a friend)<sup>2</sup>. This does not only hinder the enactment of the

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<sup>1</sup> This is because PartOrg 2 owns 15% of the JV x.

<sup>2</sup> See also Wang and Mao (2015) who argued that self-interest (social and political) of the managers of public pension funds, can side-track their focus when they are monitoring managers of investee companies. This is

private sector logic, but it is also not aligned with practices common in the real estate field. As such, although PenFund tries to incorporate the private sector logic in the way it structures and monitors its JVs, the purposeful organisational actors do not enact this logic effectively. The DG 1 explained that this is because

Public sector employees are a different breed of people, they think in a different, wasteful, way and this must be changed if PenFund wants to be successful in its partnerships. They use public money so they don't care and they think PenFund has unlimited amounts of money so they can do whatever they like, but this is not true. It must change; otherwise, people won't trust us with their money.

The Former Trustee echoed this view:

Some PenFund staff that went on the Board [of Directors] were not behaving very well. [...] they were sending money without accounting for it at all. They were spending the money, but not informing the Board of Trustees properly, because somebody else [DG] has sent them there, so they thought they won't report to the Board [of Trustees]. That is not right.

This is, to some extent, accelerated by the lack of accountability for underperforming IORs. As explained by the DM Equity, nobody in PenFund is held accountable for underperforming IORs because “it is nobody fault, we cannot blame the Board [of Directors] because it is a team effort.”. Furthermore, WSSAC is characterised by ‘the culture of forgiveness’<sup>1</sup> and very often employees are not punished for inappropriate behaviour. As the Former Trustee put it “here [in WSSAC] nobody wants to be a ‘bad guy’, so they just let it go.”. Such traditional behaviours impede the effectiveness of Board monitoring, and thereby impeded PenFund’s enactment of the private sector logic in its IORs.

In order to avoid situations allowing staff nominated to represent PenFund on the Board of Directors to pursue their own agendas, rather than the interests of PenFund, PenFund has

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because public pension funds “are subject to the unique conflict of interest problem” (Wang and Mao, 2015), i.e. ‘agents watching agents’ (Woidtke, 2002).

<sup>1</sup> For more details, see section “Case Study Context” in Chapter five (p. 161-167).

recently started to appoint its Trustees to represent PenFund on the JVs' Boards of Directors.

The Former Trustee explained:

Because it was so bad, the Board [of Trustees] decided that we, the Board members, now would be sitting on the Boards of those joint ventures. So now we have mix of people on the JVs' Boards. Before, it was [PenFund] employees, but it became, what I would call, another job for some [PenFund's] employees. Some opportunity to get extra money.

In addition, because the number of Trustees and the number of managers in PenFund is limited, while the number of JVs is constantly increasing, PenFund decided to start hiring professional consultants to represent the interest of PenFund. In addition, the external representatives are able to "bring some industry expertise and show [PenFund] staff how boards work in the private sector" (DG 2). Nevertheless, the opinions within PenFund on implementing this practice are split. Some managers, such as DM Equity, believe that:

Nobody can represent [PenFund] and look out for the interest of [PenFund] as well as its own managers do. I am in [PenFund] everyday, so I really care about our investments. An external person does not have such an attachment to [PenFund].

While others, such as the DG 1 and the Former Trustee, suggested that this is a good practice as it should enable PenFund to gradually eliminate the effects of such institutions as kinship and corruption, which are prevalent in WSSAC. In this way, the behaviour of PenFund staff on JVs' Boards should more effectively reflect the private sector logic.

Another IOMC enacted by PenFund, which is, to certain extent, similar to the Board monitoring, is shareholder activism. PenFund is *an active shareholder* in JVs where it does not have a majority interest, and is therefore, unable to appoint representative(s) to the JV Board of Directors. PenFund deploys shareholder activism in an attempt to gain some control over the IOR and to protect interests of PenFund. As such, this IOMC reflects the organising principles of the private sector logic. According to the DM Equity:

As an investor, as a shareholder, we [PenFund] try to draw shareholders agreement in the way that our rights as the minority are protected. For example, if they have a

majority then they can have the Chairmanship [of the Board of Directors] but then you want to have the Financial Director Position which means a lot because then we have somebody who is seconded and giving us feedback on what is happening there. And we can have the clauses that protect the rights of the minority. So the fact that we are minority, it doesn't mean that we do not have any control over the investment. We are not quiet investors, we are rather very active shareholders, even when we have one percent we protect our rights, we never leave our investees to do whatever they like.

As such, it is claimed that through shareholder activism PenFund tries to protect its interest in IORs in which it does not hold the majority of shares. However, the interviewees explained that the effectiveness of shareholder activism is subject to the same problems as the Board monitoring. This means that some of the PenFund managers might use it to their own advantage, rather than in the interests of PenFund.

Additionally, the DM Equity explained that PenFund deploys shareholder activism by seconding a member of its staff to a key management position, thereby introducing another behaviour monitoring practice. Like Board monitoring, this IOMC allows PenFund to have 'key persons' in the IOR. PenFund often seconds staff, selected from its managers and its accountants working in the Finance Department<sup>1</sup>, to senior management positions in IORs. Similarly to Board monitoring, seconding staff to IORs reflects the private sector logic. This is because in private organisations the 'source of authority' is not usually only the 'board of directors', but also the senior managers. However, compared to the 'key persons' representing the interests of PenFund (at least in theory) on the Boards of Directors, seconded staff should work in the interests of the entire IOR, which is 'an independent business entity', rather than solely in PenFund's interest. Nevertheless, interviewees, such as the Accountant seconded to one of PenFund's JVs, indicated that a staff member who was seconded to an IOR is not given a lot of 'freedom' in their work and they must provide situational reports to PenFund whenever

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<sup>1</sup> Accountants are usually seconded to the position of Financial Controller, whereas managers are seconded to the position of Managing Director.

asked<sup>1</sup>. Furthermore, they should be in constant touch with the Investment Analysts from PenFund to update them with relevant information. One of the Investment Analysts explained:

When you have an MD from PenFund or a Financial Controller it's a double edge sword. Some will give any information without questioning. Some other people do not feel comfortable, and they feel like you want to control them, monitor them. So that's why I said it is double edged sword. It has its good and it has its bad side. When it is a JV and [PenFund] appointed a Finance Director, those ones are good, because once we appoint the Finance Director he knows that he is there for a reason. Anything you ask him he will give you. But when [PenFund] appoints somebody as an MD, sometimes they are not sure whether they will come back to PenFund. So sometimes it is a little uncomfortable [...] (Investment Analyst 5).

The former DG claimed that staff secondment as a monitoring practice is “quite intruding and overbearing” (DG 2). This DG believes that IORs, especially JVs, are “organisations on their own, which should be allowed to manage their own affairs” (ibid). This would allow the private sector logic to be enacted more effectively. Whereas seconding PenFund's staff to positions, such as either Financial Controller or Managing Director, influences the IOR's decisions to such an extent that it is no longer “a company on its own but [PenFund] under a different name” (DG 2). DG 1 echoed:

So now, if you gave me the opportunity, I wouldn't do that again because I don't think it's the best practice. Best practice is to leave JVs to find their own people [management]. If they mess up, then you can call them accountable for it.

Furthermore, as explained in the previous Chapter, PenFund began forming IORs with private organisations in order to facilitate the implementation of the private sector logic. The purpose of establishing IORs was, in part, to remove PenFund from the management processes so that the impact of the informal institutions prevalent in the pensions field, such as kinship and political and government interference, could be minimised<sup>2</sup>. However, putting PenFund

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<sup>1</sup> This is directly related to another IOMC, namely the output monitoring, which will be discussed in the following section.

<sup>2</sup> For more details, see the previous Chapter.

representatives in key positions in IORs can impede the enactment of the private sector logic.

The MD PartOrg 2 explicated:

It would have been better if [PenFund] didn't have any involvement at all. Because for me, what they should have done is just say, "Okay, this is what you have to do. I expect this amount of return, I expect the product to be finished in this time, I expect 1, 2, 3". Go away, do your thing and then come back when it's done. Which would have been perfect, because the whole reason that the thing [JV x] was set up in the first place was to remove [PenFund] from some of the things like the construction process, management etc., because they found that when they did projects themselves *they couldn't manage them for profit because of their own problems within their organisation because of the way that they're structured and politicised and the way that control is not very tight in this environment [the public sector]*. So the idea is, *give it to a private individual company, and of course they will then strive to make the profit (emphasis added)*.

Following from this it can be argued that although, in principle, the behaviour monitoring practices reflect the private sector logic, the way in which they are enacted can be incompatible with this logic. Furthermore, as we will see below, reporting practices face the same issues.

#### **7.3.2.2. Output Monitoring Practices: Reporting**

As mentioned earlier, PenFund's behaviour monitoring practices are inextricably linked to its output monitoring practices. This is because representatives on the Boards of Directors and the seconded management staff in key roles in IORs are obliged to report to PenFund on the operations of their IORs. The purpose of reporting is to update senior officials in PenFund, such as the DG and GM IDD about the IORs performance, so that corrective actions can be taken in case of underperformance. In such a way, this IOMC reflects the key values of the private sector logic in areas such as performance measurement. The corporatisation of PenFund led to the development of the formal 'reporting channels' which are illustrated in Figure 7.1 and Figure 7.2.

Figure 7.1 Reporting Channels (PenFund's Representatives)



Figure 7.2 Reporting Channels (Seconded Staff)



PenFund's representatives are required to provide PenFund with semi-annual reports, as well as reports after any Board of Directors meeting. These reports are submitted to the Corporate Secretary, who sends them to the GM IDD, the DG, and the BoT. Seconded staff are required to provide PenFund with quarterly and situational reports. The reporting channel shown in Figure 7.2 starts with the reports issued by the seconded staff, which are submitted to and analysed by the DM Equity. In addition, the DM Equity can also request copies of reports which PenFund's representatives (where there are any) submit to the GM IDD for a review.

On the basis of (1) the various reports received from JVs and (2) PenFund's internal investment performance analysis provided by the Investment Analysts, the DM Equity writes reports that outline the performance of the various real estate IORs and indicate whether budgets are being met. If the financial and/or construction targets are not achieved, recommendations for the improvement of performance will be provided. The DM Equity provides the GM IDD with these reports on a semi-annual basis, and they are then forwarded to the DG and to the BoT,

who may request more detailed information. Usually further information is requested if the real estate investments, as an assets class, are not achieving the benchmark (ROI) set out in the Assets Allocation Policy. However, as explained by several interviewees, for example DG 1, DG2 and Former Trustee, these reports are very often issued late or not at all. This can occur at different levels of the reporting channels. For example, as PenFund’s representatives “are usually very busy people” (DM Equity), they often tend to “forget” to provide PenFund with their report. As the Former Trustee put it:

Every board member on a joint venture ought to be bringing reports to [PenFund], but they never come. That is not in the practice. And here [in WSSAC] nobody wants to be a ‘bad guy’, so they just let it go.

This was echoed by the MD Part Org 2:

We had our last board meeting on, maybe the 10<sup>th</sup>, yeah, the 10<sup>th</sup> of September. I stressed at that meeting, at the end I said listen, because in the meeting before I stressed about the same thing, I said this time, “You are the MD, I want tomorrow for you to send out an email with a list of all the items that we’ve raised in here, what you’ve got to do, when you’ve got to do it by, if anybody else has to give anything or any other information on it”. Up until today [two weeks after] – no email. Yet all of these other people are there, and am I the chairman of this board? No. But the project will fail. And it will fail because of the management. Just like the country is in a mess because of management. The culture here is all wrong.

The MD PartOrg 2, who was not originally from WSSAC, finds traditional, widely acceptable behaviours very frustrating. He claimed that they have a negative impact on management practices, including the IOMCs. The ineffectiveness of the reporting practices described above is due to informal institutions, which demonstrate themselves in these traditional behaviours, such as lateness (lack of the concept of time) and forgiveness<sup>1</sup>. Because reports are often not submitted on time, or sometimes not submitted at all, PenFund cannot take the necessary corrective actions. However, due to the institution of forgiveness PenFund representatives, who do not fulfil their duties, avoid punishment. This is very common, especially in the public

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<sup>1</sup> For more details, see section “Case Study Context” in Chapter five (p. 161-167).

sector organisations, as “it would look bad if we started to fire all the people who forgot to send a report” (DM Equity).

Drawing on the issues discussed in the current section, it can be argued that, whilst the IOMCs, discussed in this section, are developed and used to reflect the private sector logic their effectiveness is impeded by the informal institutions pervading WSSAC which are reflected in the public sector logic. This is because the behaviour of PenFund staff is guided by the informal institutions rather than formalised procedures. Theoretically, the aforementioned IOMCs do not appear to be hybrid. They were implemented to facilitate PenFund’s shift towards the identity of a private organisation, rather than because of its hybridity. However, the way these IOMCs are applied by purposeful organisational actors in PenFund is not compatible with the private sector logic. As such, it can be claimed that, although the IOMCs reflect the organising principles of the private sector logic, the way in which they are applied in practice is decoupled from the organising principles of the private sector logic and, to some extent, reflects the organising principles of the public sector logic. This confirms one of the findings from the previous section that PenFund’s officials enact the private sector logic through the lens of the public sector logic.

Furthermore, the above findings are consistent with earlier literature which claims that the efficiency of public sector reforms (in this case the corporatisation of PenFund), and the subsequent formalisation of such management controls as output monitoring/reporting, is affected by local circumstances (cf. Uddin and Hopper, 2001; Uddin and Tsamenyi, 2005; Efferin and Hopper, 2007; Ni Putu et al., 2007; Hopper, 2012). In addition, the current study shows that following the implementation of NPM in emerging economies there can be a considerable disparity between ideal and existing management control practices, including

output reporting in public organisations. In fact, the current study expands our knowledge by explaining that although IOMCs might reproduce the private sector logic, when they are exerted over traditional behaviours and employees more accustomed to the public sector logic they can be rather different from what was intended. This implies that the IOMCs, like the internal management controls used by public organisations, can be decoupled from operations and thereby become ceremonial – this is in line with the findings of Uddin and Tsamenyi (2005) who examined accounting control changes and performance monitoring in a Ghanaian state-owned enterprise.

Additionally, the current study shows that the influence of informal institutions, such as forgiveness, can lead to a lack of accountability within the organisation and this can affect the subsequent enactment of IOMCs. This suggests a direct connection between intra- and inter-organisational practices and specifically the management controls deployed by a public organisation which is embedded in a complex ION. This finding is in line with the prior literature which argues that intra- and inter-organisational control practices should be examined in an integrated way (see e.g. Coad and Cullen, 2006; Cuganesan, 2006; Carllson-Wall, 2011). The current study adds to the existing research by providing a strong empirical focus on the cognition and behaviour of individual organisational actors whose intra-organisational working practices are influenced by informal institutions which impede the effectiveness of IOMCs. The previous literature has paid relatively little attention to individual actors, especially non-managerial actors (see e.g., Cuganesan, 2006; Thrane and Hald, 2006; Carllson-Wall, 2011). In this way the findings of the current study suggest that IOMCs should not be conceptualised as isolated practices, disconnected from the internal management controls within the organisation as it has been conceptualised so far (cf. Cuganesan, 2006).

## 7.4. Coordination of the ION

In the previous section, the researcher explained how PenFund deploys various formal and informal IOMCs at the level of individual IORs. However, the fact that the IORs, are to some extent, interconnected indicates that the IORs are embedded in a broader ION (see Figure 6.5). This requires additional coordination<sup>1</sup> by a network coordinator, which in this case study is PenFund (cf. Marques et al., 2011). In order to coordinate its multiple IORs, PenFund deploys a mix of the formal and informal IOMCs. As well as using some of its dyadic IOMCs at the ION-level, it also deploys other output controls, such as ION target setting and performance measurement.

### 7.4.1. The Use of Power

PenFund only makes investments in the areas approved by the BoT. Within these areas, PenFund focuses on the real estate projects that advance its mission statement, “to develop [PenFund] into a World-Class Public Pension Fund through prudent investment mechanisms” (Financial Report, 2012). Therefore, PenFund looks mainly for growth investments<sup>2</sup> (Investments Policy and Guidelines) with partners that “*strategically fit into its real estate portfolio*” (DG 2, *emphasis added*). ‘This strategic fit’ clearly reflects the private sector logic, which underpins the strategic aspect of PenFund IORs. This means that the selection of a ‘good’ partner is influenced by the overall ION structure. The Former Trustee illustrated this:

In our real estate portfolio we had so many developments that we couldn’t manage properly. So we collaborated with this [xyz]<sup>3</sup>, we actually got into a JV with them, so they could help us deal with the properties that we had. So our investments are not so random as you might think. We try to take *a strategic approach to our investments* (*emphasis added*).

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<sup>1</sup> As explained in the Literature Review Chapter, coordination is an attempt to manage dependencies between the activities of the various IORs (see e.g. Malone and Crowston, 1994; Nooteboom, 2004).

<sup>2</sup> Growth Investments are defined as investments which are expected to yield above-average returns compared to their industry.

<sup>3</sup> The name of the organisation had to be concealed.

This was echoed by one of the former DGs:

[PenFund] was almost like an octopus. It had hands in so many things that I don't think we had the expertise to manage all of these things adequately. So then a lot of investments that we got involved in really didn't do too well because we had our hands in too many things. So then we thought *we need to be more strategic* so we started to make investments that can 'help each other out' and I this way help [PenFund] by bringing in more returns. [...] Nowadays we can't just rely on the government bonds *we need to make strategic investments* so we can survive (DG 2).

The belief, which developed following the emergence of the private sector logic, is that PenFund is an independent entity with the responsibility of growing portfolio, and this has shaped the development of its ION. However, although IORs are supposed to 'strategically fit into the ION', the lack of formal regulations prescribing cooperation between dyadic IORs, makes it difficult for PenFund to achieve coordination. Therefore, it has to be 'negotiated'. In order to influence the organisations embedded in its ION and to coordinate its IORs, PenFund uses its political and resources power. As such, in the negotiation process PenFund attempts to coordinate its ION by creating ties between the independent IORs. To do this it uses power to convince potential and existing partners to develop connections with its other IORs – thereby expanding the ION. Although it is stated in the draft JV policy that PenFund "*should recommend its investee companies to use JVs* to supply some of the construction materials for the projects" (*emphasis added*), PenFund's partners claimed that using the services of PenFund's other IORs was not a recommendation, but "a condition" for forming a JV (MD PartOrg 2). This was echoed by staff from the PartOrg 1. For example, the Law and Admin Manager PartOrg 1 explained:

When we were negotiating, they [PenFund] told us that their JV pmc 'should' manage the properties that we want to build, so we said yes... What else could we do? [PenFund] is the biggest investor in the country, so you don't say no to them. They have all the resources, which in [WSSAC] are hard to get; land in prime locations and money. Plus, they are a governmental institution, so saying 'no' to their demands is rather not an option.

However, if during the negotiation stage Pen Fund does not connect a new IOR with some of its other IORs, key persons, and particularly PenFund representatives will attempt to connect the IORs. If PenFund does not have representatives on the Board, shareholder activism could be used. This was illustrated by a former DG:

For the success of any commercial real estate, we need some very reliable long term, anchor tenants. And one of the things that we do is when we are doing it [commercial real estate] we look around for some of the companies that we have a relationship with. For example, Organisation x and say, “we are doing this twelve stories or fifteen stories building here and we would appreciate if you could become one of the anchor tenants”. So yeah, we use our influence a little to that extent, to get some of those partner companies in there (DG 2).

DG 2 further explained that, although PenFund’s influence may be considered ‘overbearing’, current partners would not turn down PenFund’s proposal, due to PenFund’s political and resource power in WSSAC. Nevertheless, informal institutions, such as kinship and political and government interference, can have a negative impact on the coordination of the ION. It was explained by the CEO PartOrg 1 and the MD PartOrg 2 that when the ruling government changed, PenFund ‘disconnected’ JV x from JV pmc as it did not want JV pmc to receive additional income from PenFund’s partners because it was no longer politically affiliated with PenFund<sup>1</sup>.

As such, it can be claimed that one way in which PenFund coordinate its ION is through the use of various types of power. It could be argued that PenFund’s use of its power in the negotiation process, and also through shareholder activism, reflects the private sector logic as it allows PenFund to increase its potential returns. For instance, if a JV uses the services of a company in which PenFund has invested, this provides the company with a revenue, thereby creating value for its shareholders, including PenFund. Therefore, PenFund’s use of its power

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<sup>1</sup> For more details, see the previous Chapter.

to increase the returns reflects the private sector logic. However, as PenFund also uses its political power in coordinating its ION, this could be said to reflect the public sector logic. As such, PenFund's use of power is a blending of two logics. However, the informal institutions, of kinship and political and government interference can reduce the effectiveness of PenFund's use of power and also impede its enactment of the private sector logic.

#### 7.4.2. The ION Performance Measurement System

In order to measure the performance of its ION, PenFund measures the Return on Investment (hereafter ROI) of its real estate portfolio against the benchmark set out in the Assets Allocation Policy. Targets are set ex-ante, however, the IOMCs deployed to measure them are enacted ex-post. In order to incorporate both the private sector logic and the public sector logic into its targets, PenFund sets a low ROI targets for Socially Targeted Investments (STIs) and a higher target, to reflect commercial return rates, for the other real estate investments. PenFund does not require STIs to yield commercial rates of returns, as such investments provide 'returns' to the community. The DM PPMM explained:

With the social oriented projects, we are rather flexible in terms of the returns. So we may not maximise the returns, but probably just break even. Whereas the other real estate investments are expected yield returns of at least 15%, in terms of the real return on investment.

The targets are set out for the asset class rather than individual investment, and therefore the performance measurement system (hereafter PMS) is designed to measure the performance of the ION, rather than the individual IORs. The Former Trustee complained that such a PMS enables PenFund to maintain underperforming IORs, which were formed due to kinship and/or political and government interference and are not profitable. He said that nobody in PenFund will investigate underperforming IORs as long as the ION in the real estate field achieves its target. In this way, the IORs which yield a rate of return above the expected ROI compensate

for the underperforming IORs. Furthermore, the DM PPMM explained that it is only the performance of the IORs which were formed to yield financial returns that is measured as the STIs are excluded from the measurement of the ROI.

Drawing on the above, the target setting and PMS practices appear to be “structurally differentiated hybrid” practices as they deal with the different logics by the partitioning of different institutional expectations (Greenwood et al., 2011). As such, the interests of various stakeholders are enmeshed in the two different targets set by PenFund. Similarly, the computations of the reached ROI are also compartmentalised in the PMS. In this way, the hybrid nature of PenFund is sustained.

Furthermore, as explained above underperforming IORs are not investigated as long as the ION embedding these IORs achieves its overall target, despite the increasing pressures to improve efficiency which are exerted by the various stakeholders of this public organisation (cf. Ni Putu et al., 2007; Wadongo and Abel-Kader, 2011). This finding adds to the argument developed in the intra-organisational management control literature that many of the formal structures and procedures deployed by public organisations in emerging economies serve as a legitimising devices, demonstrating conformity with the ideas of NPM and, thereby helping to gain the support of society in general, rather than helping the organisation to improve its performance (cf. Uddin and Tsamenyi, 2005; Wickramasinghe and Hopper, 2005; Ashraf and Uddin, 2011; Hopper, 2012). For example, stating in the audited Annual Report that PenFund achieved its overall ROI target seems intended to encourage the various stakeholders to believe that the PMS is being used in an efficient way, and in a way that will lead to improved performance. However, contrary to Kapuge and Smith (2007), who claimed that performance reporting

practices are used to improve the performance of such organisations, the ION's PMS seems to play a rather different role.

Additionally, the above discussed finding regarding the use of the PMS in relation to underperforming IORs which were formed mostly due to ties of kinship and/or to political and government interference, and which tend not to be profitable, is particularly interesting. This is because formalised IOMCs, such as a PMS, grounded in the private sector logic, can have a role in identifying underperforming IORs, and thereby have the potential to improve their performance. More specifically, they can motivate such IORs to perform better, and thereby increase PenFund's ROI at the IOR-level<sup>1</sup>. However, in PenFund we can see another role of the IOMCs – to provide a broad overview of the ION's performance in terms of its ROI (i.e., at the ION-level). As PenFund's focus is primarily on this latter role, and in particular on achieving the target ROI, the motivational role of the PMS (to encourage underperformers to be more efficient) is severely hampered. This is because, by focusing on the target ROI at the ION-level, the PMS conceals the 'bad news' of the underperformers, so as to maintain 'good relations' with and between its IORs' partners. Following from this, it can be concluded that, in this case, the formal and informal IOMCs deployed at ION-level override the use of the IOMCs at IOR-level. In other words, the use of one accounting metric overlaps with the other and hinders that other one from working effectively. This is because PenFund wants to demonstrate the overall 'good' performance to its various stakeholders, rather than focusing on improving the performance of the individual IORs. More precisely, although the key values of the private sector logic are efficiency and performance (see Table 5.2), the enactment of the PMS at the ION-level hinders the effective application of the more detailed accounting metric,

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<sup>1</sup> This is what authors, such as Cuganesan and Lee (2006) and Mouritsen and Thrane (2006), who deploy ANT might refer to as 'acting'. In this case the PMS has the potential to 'act' as the means to improve underperforming IORs and therefore it could be conceptualised as an 'actor'.

which could contribute to improving the performance of the individual IORs<sup>1</sup>. Moreover, the focus on achieving the overall accounting-defined target at the ION-level, rather than focussing on improving the efficiency of individual IORs is another example of the enactment of the private sector logic through the lens of the public sector logic. Further, this exemplifies the interaction of formal and informal IOMCs grounded in different logics, and therefore it can be argued that IOMCs play an active role in shaping the interplay between the different institutional logics.

In summary, it can be argued that the IOMCs deployed at the ION-level, i.e., the ION coordination practices, reflect both the public and the private sector logics. However, different IOMCs reflect these logics in different ways and to different extents. The informal IOMCs exemplify a blended hybrid, while the formal IOMCs can be thought of as a structurally differentiated hybrid. Furthermore, it can be claimed that the use of the IOMCs at the IOR-level does not differ significantly from the use of IOMCs at the ION-level. This is because at both levels the IOMCs help PenFund to maintain its hybrid nature. However, at both levels the use of the IOMCs is impeded by the informal institutions, which tend to reduce the effectiveness of the enactment of the private sector logic.

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<sup>1</sup> This implies that, although the above mentioned IOMCs ‘act’, they can also interfere with each other in the process. To some extent this is similar to the way in which scholars deploying ANT conceptualise accounting/IOMCs as ‘actors’ in their analysis (cf. Mouritsen and Thrane, 2006), but in this case the way in which one disrupts the other is interesting and somewhat surprising.

## 7.5. Summary

In the current Chapter, the researcher has taken the ‘whole network’ perspective and analysed the nature and use of the IOMCs “in contexts characterised by multiple interaction between organisations” (Marques et al., 2011, p.270) through the lens of the institutional logic approach (Thornton et al., 2012). As such, the Chapter has explained how the various IOMCs used by PenFund, an organisation confronted by institutional complexity, incorporate multiple logics, thereby making them hybrid practices. In this way, it highlighted that different types of IOMCs incorporate institutional demands in different ways and to different extents. This means that the different IOMCs play different roles in the IORs and in the broader ION<sup>1</sup>. Some of them simply respond to the multiple demands arising from institutional complexity, whereas others balance the organising principles of multiple logics and mediate the tensions between them. In this way, it was explained that the logics shaping IOMCs at the ION-level do not differ from those shaping the IOMCs at the individual IOR-level, they are just enacted in a different way (cf. Mineev, 2012).

Additionally, the current Chapter has explained how the interplay of multiple logics guides the development and use of the IOMCs. In order to meet the expectations of its various institutional stakeholders and subsequently to legitimise its operations, the IOMCs of PenFund reflect both the private and the public sector logics as well as the real estate logics. This allows PenFund to maintain its hybrid character. This implies that IOMCs do not always need to facilitate ‘economically rational decisions, as argued in functionalist studies. They might reflect beliefs and rationalities of the state and community logics, in which the public sector logic is nested, and as such they do not necessarily result in ‘economically rational decisions’.

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<sup>1</sup> In this way, the institutional logics approach is particularly useful because it allows the researcher to discuss the variety of organisational IOMCs through an analysis of the logics underpinning the individual IOMCs.

With these insights, the researcher has gone beyond the current inter-organisational literature and accounted for the impact of a wider set of organising principles on the IOMCs practices of a hybrid organisation. It has been shown that multiple institutional logics interact with each other and together influence the development, form and use of IOMCs, i.e., the way in which IOMCs operate. Overall, this Chapter has enhanced our understanding of how hybrid organisations maintain their hybrid character in their IORs and their broader ION through the deployment of hybrid IOMCs practices.

The following Chapter summarises the findings and the contributions of the current thesis as well as highlights its limitations and identifies opportunities for future research.

## CHAPTER EIGHT: CONCLUSIONS

### 8.1. Introduction

The purpose of the current Chapter is to provide an overall summary and the conclusions of this thesis which has aimed to enrich our understanding of how IORs and IONs are formed, as well as how IOMCs are developed and enacted at the IOR- and ION-levels by hybrid organisations operating under the conditions of institutional complexity in developing countries. In this way, the researcher combines the study of micro-processes of management controls in the inter-organisational context with the institutional dynamics. A public pension fund, namely PenFund, was used as an illustrative case of a hybrid organisation, while its investment portfolio in the real estate sector was used as an illustrative example of a mixed-type ION, which embeds various IORs that are a result of SIDs. PenFund is the focal organisation in this ION and it relies upon various IOMCs to manage and control the IORs and to coordinate the ION. As such, it deploys IOMCs in various inter-organisational settings, such as at the individual IOR-level (dyadic) and at the broader ION-level. In order to examine the peculiarities of these accounting phenomena, a qualitative research strategy and explanatory case study design were adopted. The research findings are explained by drawing on the institutional logics approach (see e.g. Thornton et al., 2005; Thornton et al., 2012) and the ‘whole network’ perspective (Provan et al., 2007; Caglio and Ditillo, 2008).

This Chapter is structured into five sections. Next section (8.2) provides a summary of the key findings against the research questions. Following this, a number of contributions, such as contributions to literature and theory, arising from this thesis are identified (section 8.3). Then in section 8.4, attention is shifted to the researcher’s personal reflections on the adopted research design. Finally, in the last section (8.5), the limitations of the study are acknowledged and opportunities for future research suggested.

## 8.2. Summary of the Main Findings

In Chapters five, six and seven, the research questions were answered implicitly, in the form of a narrative, which used the institutional logics approach in conjunction with the ‘whole network’ perspective. In this Chapter, the findings are identified by revisiting each of these Chapters and explicitly showing how specific research findings answered the research questions set out in the Introduction Chapter.

### 8.2.1. *Focal Organisation, its Changing Institutional Environment and Hybridisation*

Chapter five, through an analysis of the changing institutional environment of the case organisation, set out the background for understanding the formation of the IORs and the ION discussed in Chapter six. The findings reveal that the development of WSSAC’s inter-institutional society<sup>1</sup>, which involved the emergence of new societal-level logics, prompted changes in PenFund’s institutional and competitive environment (pensions field). As a result of these changes, a new field-level logic<sup>2</sup> emerged, namely the private sector logic, and the pensions field was commercialised. Subsequently, the emergence of the private sector logic in the pensions field led to the hybridisation of PenFund, which is evident in PenFund’s organisational attributes<sup>3</sup>, including its organisational structure, governance, ownership and identity.

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<sup>1</sup> As explained in Chapter three, according to the institutional logics approach society is an inter-institutional system made up of institutional orders (Thornton et al., 2012), which can be also termed as ‘societal-level institutions’ (Greenwood et al., 2014) each of which is underpinned by an overarching institutional logic that “prescribe[s] and proscribe[s] – social – including organisational behaviour” (Greenwood et al., 2014, p. 1214).

<sup>2</sup> As explained in Chapter three, it is assumed that “treating an organizational field or industry as insulated from the values of other higher order institutions provides an incomplete picture” (Greenwood et al., 2010, p. 534). As such, the researcher assumed that “[t]he instantiations of logics within fields, organizations and individuals draw from and are nested within these societal level logics” (Besharov and Smith, 2014, p. 366). Therefore, the current study identifies and located the field-level logics that are nested in the broader societal-level logics.

<sup>3</sup> Prior to these changes PenFund was a public sector organisation, FunLumpSum, which operated under the Ministry of Finance and later, to be able to survive in the competitive pensions field, developed into a quasi-government organisation, which is hybrid in nature

Furthermore, the findings show that, due to the changes in the pensions field, PenFund currently operates under institutional complexity and engages in institutional work to mediate the tensions arising from this institutional complexity<sup>1</sup>. In order to keep its various stakeholders satisfied, i.e. to legitimise its existence and operations, PenFund must maintain its hybrid character. In response to divergent institutional demands arising from this institutional complexity, PenFund deploys organising principles which emanate from the various logics and are not always consistent with each other. For example, to maintain its new hybrid character the single-asset-class portfolio was converted into a multiple-assets-class portfolio, i.e. it was diversified to reflect the private sector logic. In this way, the management of PenFund's investment portfolio became a hybrid practice which reflects both the private and the public sector logic. Moreover, the hybridisation of the investment portfolio directly contributed to the development of the various IORs and the ION in the real estate field. This finding supports the argument, developed in the literature, that hybrid organisations, such as PenFund, respond to various demands arising from institutional complexity by adopting hybrid practices (Miller et al., 2008), which help them to maintain their hybrid character in the intra-organisational context (cf. Goodrick and Reay, 2011; Smets and Jarzabkowski, 2013; Battilana and Lee, 2014; Dai et al., 2016).

Moreover, it was reported that although, due to the growing importance of the private sector logic, PenFund tries to adopt a private organisation identity, it is still receptive to the public sector logic and the informal institutions<sup>2</sup> which pervade WSSAC, for example the institutions of kinship and of political and government interference. This impedes the enactment of the

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<sup>1</sup> Previously, the pensions field was dominated by the public sector logic and associated institutions. As such, it was a homogeneous institutional field. However, the emergence of the private sector logic led to additional pressures being exerted on PenFund and, therefore, it is argued that PenFund operates under conditions of institutional complexity, i.e. it now operates in a heterogeneous institutional field.

<sup>2</sup> As explained in Chapter three, institutional environments in developing countries are dominated by the informal institutions embedded in traditional behaviors, rather than the formal institutions embedded in formalised rules.

private sector logic by the purposeful organisational actors and subsequently shapes the SID making process. As a result, it was learnt that PenFund's response to the implementation of the private sector logic has been filtered through the rationalities of the public sector logic. Therefore, more institutional work is needed for PenFund to disturb the 'old' institutions which are underpinned by the public sector logic and to implement new institutions underpinned by the emerging private sector logic.

Overall, the results in this Chapter indicated how changes in the institutional environment shaped organisational attributes and practices of the case organisation, particularly emphasising the impact of multiple institutional logics in the intra-organisational context. Thus, the next Chapter moved on to discuss the impact of this changing institutional environment and institutional complexity on the inter-organisational processes of the case organisation. As such, the next section summarises the findings on how hybrid organisation develops IORs and IONs with private organisations at the intersection of the pensions field and the real estate field, which is dominated by its own field-level logics (see e.g. Bygballe and Jahre, 2009; Bygballe et al., 2010; Bygballe et al., 2013; Bygballe and Ingemansson, 2014).

### ***8.2.2. Formation of IORs and ION under the Conditions of Institutional Complexity***

In Chapter six the first research question was addressed, which is:

1. How are IORs and IONs developed by public (hybrid) organisations operating under the conditions of institutional complexity?
  - a. How are various institutional logics, extant and emerging in complex institutional realms, reflected in the formation processes of IORs and IONs?

The findings indicate that the formation of IORs and subsequent evolution of the ION were triggered by the emergence of the new societal-level logics in WSSAC, and the subsequent implementation of the private sector logic in the pensions field. The establishment of the IORs and ION enabled PenFund to respond to the demands arising from the private sector logic, as well as the expectations of the extant public sector logic<sup>1</sup>. Furthermore, PenFund wants to minimise the impact of traditional, informal institutions, such as kinship and political and government interference. As such, the formation of various IORs and the subsequent development of the ION was PenFund's response to the multiple institutional pressures arising from the institutional complexity it faced. However, it was observed that PenFund's purposeful organisational actors exercise agency by choosing the way to respond to the multiple pressures arising from the various institutional logics. In this way, the impact of the private sector logic on PenFund's inter-organisational processes is impeded. Nevertheless, the formation and the structure of the IORs and ION were shaped by both the private sector logic and the public sector logics with its associated informal institutions prevalent in WSSAC. Moreover, since the IORs and IONs are formed and operate at the intersection of institutional fields, such as the pensions field and the real estate field, their formation, as well as their structures, reflect the logics pervading the real estate field.

Furthermore, because the IORs and ION formation processes reflect multiple logics, they can be thought of as hybrid processes (Miller et al., 2008). Additionally, by enabling PenFund to fulfil the expectation of its various stakeholders, these processes enable PenFund to maintain its hybrid character. This is line with the literature which argues that hybrid organisations respond to various demands, arising from institutional complexity by adopting hybrid

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<sup>1</sup> For example, the formation of the IORs in the real estate field has enabled PenFund to meet the social expectations, while at the same time yielding high returns.

processes, which subsequently help them to maintain their hybrid nature (Goodrick and Reay, 2011; Smets and Jarzabkowski, 2013; Battilana and Lee, 2014; Dai et al., 2016). However, in order to be competitive and to increase its returns, PenFund has tried to develop its ION largely by enacting the private sector logic. Nevertheless, the public sector logic and the associated informal institutions in WSSAC have impeded the enactment of the private sector logic within PenFund, and consequently in the development of its ION. This is primarily because purposeful organisational actors respond to pressures arising from the implementation of the private sector logic through the lens of the public sector logic and the informal institutions pervading WSSAC. Despite the institutional work undertaken by PenFund, the behaviour of purposeful organisational actors continues to enact the public sector logic and such extant informal institutions as kinship and political and government interference. Furthermore, the evolution of PenFund's ION in the real estate sector has been limited by various policy documents which, despite incorporating both the private and the public sector logics, tend to be dominated by the public sector logic, which does not always prescribe the behaviour that could facilitate the evolution of the ION.

Overall, the findings revealed a complex relationship between the institutional realm and the formation of IORs and the ION. In particular, the institutional environment has provided the impetus for the formation of the IORs and the ION. The IORs and the ION were formed in response to the multiple demands arising from the institutionally complex environment, specifically the interplay between the public and private sector logics, as well as the logics pervading the real estate field. This is because, in order to legitimatise its operations, PenFund must consider the institutional demands placed on it by its various stakeholders who are guided by diverse logics. Further, although PenFund wants to minimise the impact of such informal institutions as kinship and political and government interference, it is still receptive to the logics

which underpin them. This is partially because the behaviour of purposeful organisational actors, who are key persons in PenFund's IORs, is guided by these traditional, informal institutions. Thus, the enactment of the private sector logic in PenFund's inter-organisation processes is impeded by the logics underpinning the behaviour of its key actors.

### ***8.2.3. Various IOMCs Deployed by the Focal Organisation at IOR-level and ION-level***

The findings discussed in Chapter seven provide an answer to the second research question, which is:

2. How are multiple logics reflected in the various IOMCs deployed by public (hybrid) organisations, both at the IOR-level and at the ION-level?
  - a. How does the use of IOMCs at the IOR-level differ from the use of IOMCs at the ION-level?

The ION of PenFund, discussed in the previous Chapter, comprises IORs which typically involve for-profit organisations. By engaging in IORs with private (non-hybrid) organisations, PenFund risks compromising its hybrid character (cf. Battilana and Lee, 2014). However, the findings revealed that the IOMCs enacted by PenFund connect and mediate the organising principles of the different logics. This means that, in order to maintain its hybrid character and meet the expectations of its various stakeholders, PenFund incorporates multiple logics into some of its IOMCs; namely, the public sector logic, the private sector logic and the logics of the real estate field. In this way, the IOMCs have become hybrid practices (Miller et al., 2008). While some IOMCs, such as behaviour monitoring practices, in principle reflect the private sector logic, the way in which they are enacted can be incompatible with this logic.

Additionally, the findings indicate that multiple institutional logics interact with each other and together they influence the way in which the IOMCs operate. This means that the interplay of multiple logics guides the development and use of the IOMCs. In order to meet the expectations of its various institutional stakeholders and subsequently to legitimise its operations, the IOMCs of PenFund reflect both the private and the public sector logics, as well as the real estate logics. In this way, PenFund maintains its hybrid character. This suggests that the IOMCs do not always facilitate ‘economically rational decisions’, as implied in functionalist studies, because they also reflect the beliefs and rationalities of the state and community logics, in which the public sector logic is nested. Furthermore, although some IOMCs, such as behaviour monitoring practices, are developed and used to reflect the private sector logic, their effectiveness is impeded by the informal institutions pervading WSSAC. This is because the behaviour of PenFund’s staff is often guided by the informal institutions, rather than formalised procedures. These IOMCs might not appear to be hybrid as they were implemented to facilitate PenFund’s shift towards the identity of a private organisation, rather than because of its hybridity. However, the way in which these IOMCs are enacted by purposeful organisational actors in PenFund is not compatible with the private sector logic. As such, the findings indicate that although the IOMCs reflect the organising principles of the private sector logic, the way in which they are applied in practice, to some extent, reflects the organising principles of the public sector logic.

The findings indicate that the divergent logics can be enacted through inter-organisational hybrid practices in various ways. Some IOMCs combine and blend multiple logics, leading to a ‘blended hybrid’ (Greenwood et al., 2011), e.g., the selection of a good partner. While other IOMCs respond to separate institutional demands by partitioning and compartmentalising different logics, leading to a structurally ‘differentiated hybrid’ (Greenwood et al., 2011), e.g.,

target setting and PMS practices. Regardless of the way in which different logics are enacted through the IOMCs, these hybrid practices enable PenFund to compromise and balance the various beliefs, expectations and rationales arising from different logics. This allows the interests of the various stakeholders to be reflected in the IOMCs in different ways and to varying extents.

This suggests that the different IOMCs play different roles in the IORs and in the broader ION. Some of them simply respond to the multiple demands arising from institutional complexity, whereas others balance the organising principles of multiple logics and mediate the tensions between them. In this way, it was found that the logics shaping IOMCs at the ION-level (i.e., the ION coordination practices) do not differ from those shaping the IOMCs at the IOR-level, they are just enacted in a different way (cf. Mineev, 2012). At both levels, the IOMCs help PenFund to maintain its hybrid character. However, simultaneously, the use of the IOMCs at both levels is impeded by the informal institutions which tend to reduce the effectiveness of the enactment of the private sector logic. This is because the behaviour of organisational actors, who are responsible for the deployment of these IOMCs, tends to reflect the aforementioned traditional, informal institutions.

Having summarised the findings of the thesis, the next section discusses the contributions of the study to the various literatures, theory and methodology.

### **8.3. Original Contributions of the Thesis**

The thesis makes several noteworthy contributions in terms of literature, theory and methodology, as will be discussed below.

#### **8.3.1. Contributions to Literature**

This study explored the impact of a wide set of organising principles on inter-organisational processes (IORs and ION formation) and practices (IOMCs) of a hybrid organisation operating under the conditions of institutional complexity in a developing country. As a result, contributions to various literatures have been produced.

Firstly, by deploying the institutional logics approach in conjunction with the ‘whole network’ perspective, this study contributes to the literature concerning management controls in inter-organisational settings. Despite the relevance of the ‘whole network’ perspective for the study of IOMCs, very few studies of IOMCs appear to focus on the whole network (Mouritsen and Thrane, 2006; Marques et al., 2011; Kilfoyle and Richardson, 2015). Although providing some important insights, these studies focus on the structure and processes of mature IONs, thereby neglecting the dynamics inherent in the formation of an ION and the various IOMCs which are deployed in such ION. Moreover, they tend to ignore the impact of the wider institutional environment on the operations of the ION, and how the institutional realm shapes its formation, as well as the development and subsequent use of IOMCs. By examining an emerging ION, this thesis enriches our understanding of these formation processes, as well as extends our knowledge of the development and use of IOMCs. The current study focuses on a mixed-type ION, which, despite becoming increasingly popular (Barretta and Busco, 2011; Marques et al., 2011), remains under-researched by the accounting scholars studying IONs and, more specifically, management controls issues in IONs (Marques et al., 2011; Mineev, 2012).

By deploying a multi-level analysis, the current study enriches our understanding of how the formation of an ION and the development of IOMCs are shaped by institutional logics (at both the macro- and meso-level, i.e. societal and field-level logics) enacted by purposeful organisational actors (at the micro-level). As far as the researcher is concerned, this is the first study to explain how an organisation responds to pressures arising from institutional complexity through the formation of an ION and the development of various IOMCs. As such, it goes beyond the rational considerations, frequently found in inter-organisational literature, in explaining the formation of IORs, an ION and the development and use of IOMCs. It reveals that multiple institutional logics shape the IORs, ION and IOMCs. Additionally, the current study illustrates that different logics are incorporated in IOMCs in various ways and to varying extents, and therefore play diverse roles in the management and control of dyadic IORs and the coordination of the ION. However, contrary to Mineev (2012), this study shows that the IOMCs used in IORs and IONs can encompass the same logics, but enacted in different ways. This extends the existing studies on the different uses of 'single' management controls (Amans et al., 2015; Schäffer et al., 2015; Dai et al., 2016).

Additionally, the study shows how the formation of an ION and IOMCs deployed in it are shaped by the behaviours and actions of individuals working both inside and outside the focal organisation, and guided by various logics. In this way, the current study expands our understanding of inter-organisational practices by deploying a processual analysis to study the formation of IORs and an ION and the development of IOMCs, and by exploring how the responses of purposeful organisational actors shape the inter-organisational processes of a focal organisation faced with institutional complexity. In this way, the study adds to the limited literature which adopts a dynamic perspective to examine organisational responses to institutional complexity (Greenwood et al., 2011).

Overall, the current study contributes to the inter-organisational literature by examining in-situ the formation of an emerging mixed-type ION and the development of IOMCs, instead of focusing on a mature ION and its current structure and practices, and making assumptions about the micro-processes that had shaped the inter-organisational processes. By explaining how the formation of the IORs and ION is enmeshed in the institutional environment, the current study adds to the limited literature focusing on the interplay between institutional dynamics and micro-processes (Lounsbury and Crumley, 2007; Lounsbury, 2008). As such, the current study expands our understanding of the impact of the macro- and meso-level environment on the intra-organisational dynamics (micro-processes) by examining how institutional logics are enacted by organisational actors and in turn how their logics shape the inter-organisational processes. Generally, the current thesis supports the argument developed by Coad and Cullen (2006) that “[o]rganisational activity is embedded in social and cultural beliefs and values, and cannot be fully understood apart from the context in which it takes place” (p.366).

Secondly, the study contributes to the literature concerning the management controls relied upon by hybrid organisations (see e.g. Amans et al., 2015; Carlsson-Wall et al., 2016; Dai et al., 2016). The present study confirms previous findings that hybrid organisations develop hybrid intra-organisational management control practices, which help them to maintain their hybrid character (Dai et al., 2016) and contributes additional evidence in the inter-organisational context. This the first empirical study to examine the impact of the institutional environment on the IOMCs of a hybrid organisation. Overall, the thesis enriches our understanding of how hybrid organisations can maintain their hybrid character through inter-organisational hybrid processes, such as the formation of IORs and an ION. In addition, it was explained how hybrid IOMC practices can help a hybrid organisation to maintain its hybrid

character in its IORs and ION with non-hybrid (typical for-profits and not-for-profits) organisations. This allowed the question as to whether hybrid organisations which engage in IORs with non-hybrid organisations risk compromising their hybrid character (Battilana and Lee, 2014), to be addressed. Specifically, the current study indicates that, by forming IORs with private partners and developing a wider ION, the focal organisation is able to respond to the various pressures arising from institutional complexity, thereby meeting the expectations of its various stakeholders and legitimising its operations. Further, the deployment of various hybrid IOMs, which incorporate different logics, help such an organisation to sustain its hybrid character in its IORs with non-hybrid partners. As such, the formation of mixed-type IORs and an ION does not need to compromise the hybrid character of an organisation, but it can help to sustain its hybrid character. In addition, its hybrid character can be further supported by the deployment of IOMCs which connect and mediate the organising principles of the different logics (cf. Dai et al., 2016).

Lastly, this study adds to the developing body of management accounting studies in developing countries (see e.g. Uddin and Hopper, 2001; Tsamenyi et al., 2007; Hopper, 2012) and the sparse literature concerning IORs and their IOMCs in these countries (Tsamenyi et al., 2013). The context of developing countries has been recognised as neglected by accounting scholars (Hopper et al., 2009). Further, Scott (2005) complained that the preponderance of empirical studies deploying institutional analysis are conducted in developed countries, such as the USA.

This research shows that the institutional environments of developing countries, which are dominated by informal institutions (compared to the institutional environments of developed countries which are dominated by formal institutions (Narooz and Child, 2016)), shape and affect inter-organisational processes and practices of public organisations operating

in such countries. It was explained that various informal institutions tend to impede the effective enactment of formal IOMCs. As such, the understanding of the institutional environment, in which organisations that form IORs and IONs exist, has been showed to be important if we want to understand the IOMCs deployed in IORs and IONs. In this way, the current study addresses some unresolved issues existing in the literature. Precisely, there is no consensus in the literature as to why high failure rates of IORs, as well as IONs, have been widely documented (Langfield-Smith and Smith, 2003; Cuganesan and Lee, 2006), especially in developing countries (Tsamenyi et al., 2013). To explain this issue, management accounting scholars have called for studies which explore the linkages between various IOMCs and their antecedents in different contexts (Cuganesan and Lee, 2006). This study addresses this call by deploying non-functionalist theoretical perspectives to explain the processes and dynamics through which various IOMCs are formed in a developing country. It is argued that in the examined developing country, institutional environment, especially informal institutions, affect the enactment of formal IOMCs. In this way the institutional environment can contribute to the failure of IORs and subsequently hampers evolution of the ION. As such, the findings of this study complement those of earlier studies focusing on identifying reasons for failures of IORs, such as the deployment of inappropriate IOMCs (Groot and Merchant, 2000; Tsamenyi et al., 2013) or their inefficacy (Anderson et al., 2000; Tomkins, 2001; Dekker, 2004), by arguing that informal institutions, which are underpinned by various institutional logics, shape behaviour of purposeful organisational actors, who are responsible for the deployment of IOMCs.

### **8.3.2. Contributions to Theory and Methodology**

It has been suggested that research can generate a theoretical contribution if it provides insights into an already known theory (Kilduff, 2006). As such, this thesis offers insights into the application of institutional logics in the context of developing countries; thus enabling the application of this theoretical approach to be expanded. The institutional logics approach assumes that Western developed societies are inter-institutional systems underpinned by various societal-level logics, such as market, corporation, profession, state, community, family and religion (Friedland and Alford, 1991; Thornton et al., 2005; Thornton et al., 2012). However, the current thesis shows that the societies of developing countries are also inter-institutional systems formed of similar societal-level logics. Although, the institutions underpinned by the institutional logics tend to differ in the context of developing and developed countries<sup>1</sup>, the institutional logics approach can still be applied in developing countries, as exemplified by the current thesis.

In addition, the current thesis contributes to the application of the institutional logics approach in management accounting research (see e.g. Ezzamel et al., 2012; Schäffer et al., 2015; Dai et al., 2016; Järvinen and Parker, 2016) and especially in inter-organisational research concerning management controls (Marques et al., 2011; Mineev, 2012; Kilfoyle and Richardson, 2015). The current study has provided evidence that the institutional logics approach enables us to understand the influences of the institutional environment (macro and meso) on inter-organisational processes and practices (micro). As such, the current thesis explains how the empirical evidence can enrich our theoretical understanding of phenomena such as IORs, IONs and IOMCs, thereby extending the application of the institutional logics approach.

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<sup>1</sup> In developed countries the institutional environments are dominated by formal institutions, while in developing countries the institutional environments are dominated by the informal institutions (Narooz and Child, 2016).

Additionally, it is argued in the literature that, although some studies recognise the connection between the institutional environment and IONs, the interdependencies between them remain under-theorised (Narooz and Child, 2016). What is more, it is argued that “there generally has been a lack of methodological tools to study network processes” (Abrahamsen et al., 2016). However, the current study, through the development of the analytical framework, in Chapter three (see Figure 3.2, p. 112), provides a “methodological tool” as well as theorising the relationship between the institutional environment and IONs and IOMCs. As such, the principal theoretical implication of this study is that it provides a framework for the exploration of the impact of the institutional complexity on inter-organisational practices and processes. This framework can be a useful heuristic device for thick, real-time analyses of the messy, everyday practices (micro-processes) involved in enacting various institutional logics by organisational actors engaged in inter-organisational processes. Further, the framework could be adopted in the studies investigating the impact of structural changes (shifting logics) in an institutional field on the inter-organisational practices and processes of public organisations operating under conditions of institutional complexity.

Furthermore, the methodology adopted in this thesis has led the researcher to reflect on the research design which might be useful for the future research, particularly in the context of developing countries. This reflection is provided in the following section.

#### **8.4. Researcher's Reflective Account: Case Study Design and its Practicalities**

The deployment of a case study design was determined by the research questions addressed in this thesis and its qualitative research strategy, which are both underpinned by the philosophical stance of the researcher in the interpretive paradigm (Burrell and Morgan, 1979; Hopper and Powell, 1985; Chua, 1986; Ryan et al., 2002). One of the main assumptions of this thesis is that the economic reforms taking place in the public sector in WSSAC has led to the emergence of a new private sector logic in the pensions field and this shaped the formation of the IORs and ION and the development of IOMCs. As this is a socially constructed phenomenon, these IORs, ION and IOMCs are also socially constructed. For this reason, they can only be understood by examining the subjective interpretations of the actors involved. By adopting a case study design, the researcher was able to interview these actors and to collect other evidence, such as observations and internal documentation, in order to understand how the IORs, ION and IOMCs are intertwined with the complex institutional realm. As a result, the case study design provided an in-depth contextual understanding of PenFund's IORs, ION and IOMCs. The exploration of the interdependence between the institutional environment and the practices within PenFund would not have been possible if a different design, such as a cross-sectional survey, had been adopted. This is because alternative designs, such as those usually deployed in mainstream accounting research (Hopper and Powell, 1985; Ryan et al., 2002), tend to ignore the particularities of the examined accounting phenomena, arising from its specific context, and therefore miss the complexities of both the context and the phenomena. However, the research design adopted here enabled the researcher to explore the underlying logics within which the IORs, ION and IOMCs were developed and operate.

To gain context sensitive (in-situ) knowledge about the formal and informal institutions in WSSAC, which are underpinned by various institutional logics, and which shape the inter-

organisational processes and practices enacted by PenFund, the researcher had to probe deeply to obtain relevant information. It was observed that some interviewees, especially those in senior positions in PenFund, would rather explain how inter-organisational processes and practices are supposed to be, than how they actually are in practice. In such situations the researcher used probing and also asked the same questions to the former PenFund representatives. Following from this, the researcher learnt that PenFund's senior representatives were not keen to talk about the impact of kinship and political and government interference on the organisational processes and practices. Furthermore, some of the participants acknowledged that if the supervisor of the researcher had not been 'local' they, most probably, would not have agreed to participate in the interview or at least would not have been keen to reveal some sensitive information. What is more, the key contact in PenFund emphasised on multiple occasions that he had been approached by other academic researchers to conduct their study in PenFund, but he had rejected them as they were not 'local'. These behaviours of the research participants led the researcher to reflect on the process of conducting case study research in a developing country, such as WSSAC.

Most of the literature on case study research methods provides explanations of techniques that can be effectively deployed in developed countries. However, it was observed that some of these techniques, for example techniques concerned with gaining accesses to research sites, might need to be adapted for studies in developing countries, which are dominated by social relations (kinship) and political relations (political and governmental interference) (cf. Alawattage et al., 2007; Hopper et al., 2009). The current study emphasises that in a developing country, such as WSSAC, access to a potential case may have to be gained through the aforementioned relations. Furthermore, these relations can impact the data collection processes, for example in terms of the questions that can be asked and how the research

participants are likely to answer them. It was observed that in order to gain relevant data, the study may need to involve, or be supervised by, a local researcher (cf. van Triest and Fathy Elshahat, 2007).

Moreover, the literature which discusses case studies from the perspective of developed countries does not recognise the difficulties of data collection (e.g., Yin, 2009, 2014). For instance, due to the 'lack of a concept of time' and the widely acceptable lateness in WSSAC, interviewees were often late for or rescheduled interviews, thereby disrupting the researcher's interview plan and subsequently contributing to a backlog in transcribing the collected evidence. Furthermore, since the research design involved the study of phenomena in their real-life context (Robson and McCartan, 2016), the observations and interviews were sometimes disrupted because participants were called out to participate in a meeting or to fulfil other duties. This also had an effect on the interview/observation plan as, on some occasions, the researcher had to stop interview half-way through and return the next day to continue. However, this can occur in any context, not just the context of the developing country, although it is likely to be more prevalent in such a context. Nevertheless, the researcher has some general reflections concerning case study.

In general, case study research is very demanding. Firstly, it consumes a lot of resources, such as time and money (cf. Hoepfl, 1997). Researchers deciding to undertake a case study tend to spend an extended period of time in the field, which in this case involved travelling abroad. This contributed to the high costs of the research, especially the flight and accommodation costs. However, the costs of travelling within WSSAC were also significant. This was because of the different locations of PenFund's offices and the visits to the partner companies and IOR, as well as the aforementioned rescheduling of interviews.

Secondly, the researcher's immersion in the data collection process, which is inextricably linked with case study design, can be emotionally as well as mentally taxing (cf. Hoepfl, 1997, p. 61). In order to collect relevant evidence the researcher had to listen, observe, talk and think simultaneously. In addition, if the participants do not give consent to be recorded, the researcher has to take notes at the same time. Therefore, to collect data for an explanatory case study a lot of practicing and preparation is needed (cf. Yin, 2014). For example, having a firm grasp of the phenomena under investigation and the development of case study protocol, which can assist the researcher in "asking good questions" (Yin, 2014, p. 73), is important. Additionally, before embarking on a case study, the researcher should develop certain skills through, for example training courses and/or part-time work as a research assistant, so as to become a good listener, to be adaptive (and to recognise new issues arising from the research as opportunities rather than threats) and to avoid personal biases (Yin, 2014).

In summary, the researcher sees case study research design as an opportunity to collect rich contextual evidence to answer 'how' questions and to gain an in-depth knowledge of the investigated phenomena. However, this research would like to advise future researchers, especially those undertaking a research degree such as PhD, where the time and financial resources are very often restricted, not to underestimate the difficulties inextricably linked with the use of a case study research design. Thus, the researcher suggests considering the aforementioned issues, prior to embarking on field work/data collection.

## **8.5. Limitations of the Study and Suggestions for Further Research**

Despite the insights provided by this study, it is not without its limitations. However, the researcher believes that these limitations can be turned into the opportunities for further research.

The study has examined the formation of IORs and an ION, as well as the development and use of IOMCs in these IORs and ION by the focal organisation, from the viewpoints of current and former staff, the partner organisations and the IOR. As the research adopted the ‘whole network’ perspective, it could have benefited from considering the opinions of all the partners and IORs embedded in the ION (Caglio and Ditillo, 2008). However, conducting such a case study would have been impossible on this occasion due to the financial and time resources involved. Thus, in the future a broader design could be deployed to study the perspectives of the multiple partners and IORs embedded in the ION of the focal organisation. This would help to further exploit the potential of the ‘whole network’ perspective by examining how changes in an IOR impact the other IORs embedded in the ION.

Furthermore, this study could have benefited from a comparative case study design. For example, PenFund could be compared to a private pension fund operating in the same field in WSSAC. This would enable the researcher to explore the importance of such organisational attributes as ownership, governance, structure and identity on the inter-organisational processes and practices enacted by PenFund. This is because private organisations are argued to be characterised by organisational attributes which filter field-level institutional logics in different ways compared to public organisations such as PenFund. In this way, a comparative case study could enrich our understanding of practice variations within the pensions field. Unfortunately, in the current study, due to limited time and financial resources, the researcher could not deploy

a comparative case design. Nevertheless, the explanatory case design which was adopted was able to provide an in-depth understanding of the process of IORs and ION formation and the IOMCs deployed in those IORs and ION, and to answer the research questions addressed in this thesis. The deployed design enabled the researcher to collect rich contextual and historical data, which would not have been possible if a different design had been adopted. A comparative design could be deployed in future studies to expand our understanding of the differences in inter-organisational processes and practices between organisations operating in the same institutional field.

Finally, although this study is limited to one of the seven West Sub-Saharan African countries, as some of the economic, political, socio-cultural factors, and therefore business conditions in WSSAC, are similar in the other Sub-Saharan African countries, the insights gained in the current study could apply to other SSA countries (Acquaah, 2009). Nevertheless, whether they apply to IORs operating in other developing countries, for instance, in Eastern Europe, Latin America, Asia and other parts of Africa, is an empirical question which requires further investigation (cf. Acquaah, 2009).











































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