From physical to accounting control: a study of accounting change resistance

Imam Wahyudi
Asian Banking-Finance and Informatics Institute of Perbanas, Jakarta, Indonesia

Abstract

Purpose – The purpose of this paper is to examine an effort by management of a private higher education institution in Indonesia to replace its informal, relationship-based performance system which relied on physical discourse – overseeing operational details that focus on physical accomplishment of tasks – and personal control by the school head, with a tight budgetary control system which relied on technical efficiency and rational discourse.

Design/methodology/approach – The paper is an ethnographic case study of a business school – a private higher education institution in Indonesia – known by its abbreviation as Perbanas Business School (PBS), from 1999 to 2001. The researcher is part of the case being studied, and thus is a “native” who completely participates in the change process.

Findings – The paper demonstrates how a control system change that violates existing cultural norms fails to impact day-to-day managerial practices or decision-making processes. Specifically, in a business school setting, replacing an informal relationship-based control system with a technical efficiency-based accounting control system only produces chaotic managerial practices and degrades school services. The new system alienates staff and is not accepted or institutionalized. Instead, in daily managerial processes, management continue to rely on informal and personal relationships.

Research limitations/implications – The paper contributes to the accounting literature by studying the process of instituting accounting change and organizational participants’ resistance to that change.

Originality/value – Organizational culture, reflected in values, norms of behavior and everyday practices, cannot easily be controlled or changed by chief executive officers.

Keywords Accounting, Budgetary control, Higher education, Indonesia

Paper type Research paper

1. Introduction

The purpose of this paper is to discuss and examine the efforts of management of a private higher education institution in Indonesia – Perbanas Business School (PBS) Jakarta – to replace the institution’s performance evaluation system, based on physical discourse and personal control by the school head, with a tight budgetary control system based on technical efficiency and rational discourse. The owner of PBS replaced the manager of the organization and the new manager established a new management team. The new management team, under pressure from PBS’ owner, tried unsuccessfully to strictly impose technical, efficiency-based accounting in the institution. The school’s community seriously questioned the appropriateness of a technical-rational traditional control system, and the organizational control system in the school quickly blew apart when the old system was replaced.
As will be seen in this paper, continuity of the school’s highly institutionalized organizational values and practices, which were contradicted by the new system, explains the failure of the control system change. “Revolutionary accounting change” (Burns and Scapens, 2000) which imposes new techniques, methods and procedures, does not change the day-to-day managerial activities and practices of the members of the organization. Given the interaction among interest groups and individuals inside the organization, technical rationality can only be effectively achieved through negotiation – political rationality – that mediates among conflicting parties pursuing their own interests. Therefore, the main contribution of this paper to the accounting literature is in studying the process of and resistance to accounting change.

2. Research method

This study was conducted while the researcher performed his daily activities in the focal organization – thus it is an ethnographic case study. Participant observation was the dominant source of data and mode of data gathering within this study.

Involvement in the case as an academic as well as a managerial staff member since 1987 made it easy for the researcher to understand and describe the social and cultural scene in its complexity (Denzin and Lincoln, 1998). The researcher’s involvement also provided access to experiential data through various channels and contacts throughout the period of the case taken – the study implemented the concept “going native” as explained by Hammersley and Atkinson (1995). Therefore, the subjective experience of the researcher comprises the most important data in this study.

This involvement within the organization gave an opportunity for generating insight about the role of accounting in the daily managerial conduct of the school. The evidence gathered is inherent in the subjective experiences of the researcher (emic perspective). As a full member of the research setting, the researcher concealed his observer role so that he fully participated in the events (Spradley, 1980) – he acted as “a full member of the group and participates in all the group decisions” (Atkinson and Waterloo, 1998, p. 56) while carrying out his research during the course of his normal job (Holliday, 2002).

The basic methodological argument for participant observation as explained by Guba and Lincoln (1989, p. 193) is to maximize the researcher’s ability “to grasp motives, beliefs, concerns, interests, unconscious behaviors and the like”. It allows the researcher to see the world as his subjects see it, “to live their time frames, to capture the phenomenon in and on its own terms, and to understand the culture in its natural, ongoing environment” (Guba and Lincoln, 1989, p. 193). Being subjective in viewing the nature of the case is all about participant observation which is reflected from the observer’s involvement as a member of the community, and substitutes the community’s ways of thinking for his own.

Other sources of evidence supplemented the researcher’s observations. These included unstructured interviews, and the review of documents and archives (Yin, 1994; Tellis, 1997). The interviews were mostly informal and intended to reconstruct the events, whereas statistical and administrative documents were used to corroborate and augment evidence from other sources (Yin, 1994).

The case was observed for the period of three years from 1999 to 2001. The revolutionary change in managerial accounting practices was taking place in this period before it was finally declared unsuccessful in 2002. At the time, the researcher was an academic staff member as well as the director of the postgraduate business program.
3. Background of the case
In February 1969, National Banks Association (Perhimpunan Bank-Bank Umum Nasional and known by its acronym, Perbanas) established a Foundation of Perbanas’ Education known as Yayasan Pendidikan Perbanas (YPP). At the same time, the YPP established a higher education institution in banking, accounting and management that later became Sekolah Tinggi Ilmu Ekonomi (PBS as it is used in this study) Jakarta[1].

The school had developed rapidly since 1974. It was Dr Tatik Suryani (TS) who contributed most to the development of the school. He held key position in the Perbanas as the Secretary General, the YPP as the treasurer, and the PBS Jakarta as Head of the School. These placed the responsibility with financial decisions regarding the school directly with him since he gained a direct control over the cash and finances of the institution – an opportunity in dealing with funding of the school’s development. Until his enforced resignation from the school and the YPP in 1999, PBS Jakarta was strongly identified with TS. Most staff members viewed him as a personification and owner of PBS Jakarta. As a result, the control mechanism was placed solely upon him – his dominance over the school’s management was indisputable.

A heavy emphasis on physical discourse – operational details that focus on physical accomplishment of tasks – was exercised to boost the development of the school. The controlling mechanism was direct contact with the field to confirm that the activity had been done properly and completed. TS always personally visited and observed all organizational units every day. The practice represented symbolic power and symbolic action. As the symbolic power, the physical achievement had systematically been established as a particular set of values among staff by the school head to become the performance discourse in controlling an organizational unit’s activity. According to Alvesson (1996, p. 66), such power “is particularly salient, compared to technical and bureaucratic means of control”. As the symbolic action, it became a part of everyday leadership inside the school in which control rested on the values and ideas that the school head wanted the staff to accept – physical control discourse.

Despite his reliance on the physical attributes, TS also directly exercised financial control through the budget approval. By doing this, the school head could maintain and control cash surplus to finance the development of the school. Consequently, the tendency of an organizational unit to disburse all the money received from the school was justified and appropriate because the budget realization meant that the money allocated had already been treated as an expense. The budget approval was also politically motivated with the intention of controlling and managing staff’s behaviour – to create and maintain staff loyalty.

Indeed, financial issues were considered in making any decision, to the extent that it was related to the approval of budget proposals by the school head as he centrally managed all financial affairs of the school. This consideration took place to finance a proposed activity or to create a new activity that was not mentioned in the annual program in order not to sacrifice important routine activities. His knowledge of operational details made easy for TS to calculate adequate cash flow to support and finish all activities. Thus, instead of efficiency-oriented measurement of the organizational units, financial consideration was conducted prior to budget realization to maintain cash flows.

Since the school head knew, through his daily supervision and direct observation of operations, of all activities that took place, a formal financial report was only submitted annually for the purpose of the annual managerial meeting. Verbal reports were
substituted for more frequent financial reports. These became routine and thus were an institutionalized practice of daily managerial control. In the PBS Jakarta, this mode of control effectively enhanced staff’s performance as it was used to evaluate as well as to stimulate performance. Formal reporting was only needed to fulfill legal requirements.

TS relinquished power in 1999. However, his values and managerial practices had been accepted by the school’s community as their values and practices. This paper discusses the efforts of the school subsequent to TS’s departure to transform its managerial style and practices to a more transparent system by introducing technical – rational accounting information as a tool for managerial decision making and performance measurement system. As will be seen in the following sections, because the new system was implemented within the existing norms, values and practices, it became mostly ritualistic and symbolic.

4. The relationship between the PBS Jakarta – the YPP
TS’ resignation provided an opportunity for the Perbanas to transform the relationship between management of the school and the YPP. During the period of TS, both the school and the YPP were under his personal control. TS was the School Head and the Treasurer of the YPP. The Government Regulation No. 30/1990 maintains that Head of school of a higher education institution can only hold the position for two periods, respectively – eight years. To comply with the requirement of the regulation and to keep his power in place, TS gave up his position as the School Head and created a new position – Executive Officer of the YPP – that could directly involve him in the daily managerial affairs of the school.

Pressures from staff members and students toward managerial transparency enforced the Perbanas to create a formal controlling mechanism by keeping the position of the school head apart from the YPP – the YPP can exercise its function to control the management of the school. Alas, due to lack of knowledge about higher educational institutions among its committee members, the financial policies of the YPP often altered the school’s development programs and even hindered the execution of the existing programs. These policies deeply frustrated that part of the school management that handled the school’s daily managerial conduct whenever it dealt with the YPP.

This new relationship caused many tensions between the two sides. The heavy emphasis of the YPP on technical-efficiency measurement frustrated the school’s community. Skepticism among the school’s community, especially management of the school and staff members, toward the way the YPP handled the school’s monies was also continually escalating. This feeling was apparently stimulated by the shifting of power over resources from the school head to the YPP. During the era of TS, he simultaneously controlled the school and the YPP – therefore TS also directly controlled the school’s fund to support his managerial method.

5. Leadership style and managerial tensions
The new School Head – Faisal H. Basri (FB) – was an outsider appointed by the YPP. FB was a well-known economic scholar from the University of Indonesia who strongly criticized the government and supported public sector reform and good governance. Soon after he was appointed as the School Head, he developed formal managerial systems and procedures in order to reduce the patron-client relationship that dominated managerial practices in the school. He saw it as among his duties to eliminate the practices of nepotism, inter-group lobbying and paternalism from the school.
In everyday managerial conduct, given his background as an outsider, FB obviously had to rely on certain staff members to collect information. However, unlike his predecessor who did this to create staff’s loyalty and to boost power, FB was enormously dependent on these staff members. Pre-occupied by his own prejudices toward certain groups of staff members who had a close connection to his predecessor, FB would only consider information from groups whom he considered as his supporters in making any managerial decisions. This situation stimulated and increased tensions among staff members inside the school and rapidly escalated discontent among the staff members toward his leadership.

FB, by coincidence, created an inner circle that consisted of a small number of academic staff members who were able to support his ideas. This was cunningly exploited by the school vice heads and many staff members to get closer to him and become his trusted persons. Many of the school vice heads who had strong authoritarian personalities easily adjusted to become his trusted persons – “inspired and empowered followers (that) produce decidedly negative consequences for the leader” (Washbush and Clements, 1999, p. 147).

FB was managerially weak and therefore he delegated most managerial decisions to his vice heads[2]. His inability to coordinate and control the staff had created chaotic managerial practices that rapidly reduced his credibility in front of academic and administrative staff members. In practice, FB frequently relied on informal and personal relations rather than formal structure in dealing with staff members and handling daily managerial conduct. Dissatisfaction among staff members toward his management and leadership became increasingly a topic of everyday conversation. Academic and administrative staff members and students gradually withdrew their support – his credibility in front of the school community vanished.

Informal procedures were gradually being integrated into formal procedures due to lack of top-down instructions. Such practices created “feelings of a lack in communication in the line” (Munro, 1999, p. 629). TS, on the other hand, intentionally constructed informal procedures to create staff loyalty and dependence as a necessary means to keep his power in place. As in the past, this provoked gossip amongst middle and lower levels of management. The managers saw TS’s management as the better practice. This perception was immediately manipulated by the vice school heads to build their own patron-client relationships. As a result, personal relationships and lobbying dominated decision-making processes – especially for budget-approval purposes.

Unlike TS towards whom most staff members had feeling of embarrassed deference due to his contribution in creating the institution, FB’s acceptance depended on his leadership and on his ability to improve the school. For this reason, FB’s failure to bring the school into better shape faced an intense challenge from most academic and administrative staff members and conflict at last became inevitable.

FB failed to develop his leadership role and leadership style. He was unsuccessful in influencing staff members in “doing the right thing” at the macro level (leadership role) and “doing things right” at the micro level (leadership style). His inconsistent conduct[3] led to confusion and created conflict among staff members performing their daily managerial activities. This is in line with Nicholls’ (1987, p. 20) idea that:

It is leadership talent that links the individual to the environment through visioning (meta-leadership) and creates enthusiastic followers. It is leadership role (macro leadership)
that links the individual to the entity and creates committed members of the organization. It is leadership style (micro leadership) that links the individual to the job/task and creates willing performers.

6. Accounting discourse
The YPP perceived that the previous management of the school under TS had been excessively inefficient. Based on this experience, the YPP asked the new management of the school under FB to reduce routine expenditures in order to increase efficiency. Efficiency suddenly became an everyday topic of conversation in the school as FB repeatedly used this word in front of all staff members.

Accounting discourse, as represented by the word “efficiency”, was introduced as “a common language and standardized code of excellence (that) would reduce and even eliminate subjectivity” (Macintosh and Baker, 2002, p. 194). In monthly staff meetings, FB firmly declared that his management intended to reduce the prior administrator’s excessive expenditures. He intentionally introduced his “belief system”[4] (Hansen and Kahnweiler, 1997, p. 117) – the efficiency discourse – to the school staff.

6.1 Budgeting discourse
As part of the managerial reform, the YPP hired an external management consultant to introduce a new budgeting system for the school. Under the new system, each organizational unit had to prepare a budget based on the unit’s activities. The budget was then brought together by activity and by department (each school vice head) before it was discussed with FB so he could seek approval from the YPP. Each organizational unit was assigned financial responsibility as it prepared its own budget. Budget variance reports that compared the budget and actual expenditures would be used to judge the unit’s efficiency performance.

The YPP declared the new system unsuccessful in 2002. Both sides – the YPP and the school’s staff and management – contributed to the failure. For the school staff and management, the resistance to a new system may have been motivated by economic, political and cultural reasons (Malmi, 1997). The attitude of the YPP toward the budget was the other obstacle to the new system’s working properly. The YPP often postponed and always cut the realization of the budget asked by the management of the school while the annual budget figures had already been approved by the YPP.

This situation degraded the quality of services provided by the school as well as the welfare of staff members. This hampered management’s ability to support vital school operations. As a result, tension arose between the school head and staff members because of the negative impact to their personal welfare, and between the school head and the YPP because of the difficulty in getting the money to carry out the programs.

FB and the YPP had objectives – to increase efficiency and to eliminate the practices of nepotism, group lobbying and paternalism – and needed the new system different to that previously accepted by the staff as representing the school culture, and which the school head and the YPP failed to understand. Managerial routines which were dominated by physical activity and personal relationships, which had been successfully institutionalized in the school, conflicted with the emphasis of the new budgeting system. Many studies support the theory that a new system will encounter difficulties because it contradicts with the existing culture (Markus and Pfeffer, 1983; Scapens, 1994; Malmi, 1997).
The YPP held an absolute power over resources, and used this to enforce the adoption of their “rational” belief – efficiency discourse – by the management of the school. This intensified multidimensional conflicts between the school head and his trusted staff and other staff members. According to Lewis et al. (1997, p. 277 quoting from Amason et al., 1995), there are two types of conflict – “cognitive issue related conflict, beneficial to decision making – and affective conflict, a personalized type of conflict that erodes decision quality”. In the PBS Jakarta, the conflicts were driven by three factors. First, FB failed to fulfill his promise to increase the welfare of staff members because of his financial reliance on the YPP. Second, FB had lost any trust in the YPP due to the YPP’s constantly cutting the budget realization down below the approved level. Third, managerial skill and leadership was poor. This failure almost immediately led to personal conflicts between FB and certain academic staff members, between FB and the YPP, and among the school vice heads themselves. This finally eroded the quality of managerial decisions.

The conflicts intensified when formalized budgeting procedures introduced into the school were unable to change the school’s budget culture as it was “close to the everyday of life, rather than through rare, formalized procedures” (Cohen, 1982 as quoted by Munro, 1999, p. 622). The staff took the existing budget culture for granted. Although the school head had fully delegated all managerial authority to the vice heads, as in the past, to speed up budget realization, a staff member still needed to personally approach the Vice Head Finance and General Affairs. For that reason, instead of eliminating the paternalistic behaviour in the school, managerial decentralization had created many new patrons at the school vice head level.

As in the past, the Vice Head Finance and General Affairs, on behalf of the School Head, did not necessarily rely on budget to finance an activity. Therefore, a budget could not automatically get an approval to be realized into funds when it was needed. By contrast, it was possible for money to be given to an activity that was not mentioned in the annual program budget of the school. Personal and informal relations with the vice school head made the practice possible. Accordingly, budgeting as a formal system, in daily practice, was not a decisive force in the school’s decision-making processes. Rather, it was determined by “the interplay between a variety of formal and informal mechanisms” (Lindkvist and Llewellyn, 2003, p. 252; Munro, 1995).

For the YPP, budgeting activities signified an organizational formal system as “the written procedures and policies that direct behaviour so as to achieve the organization’s goals” (Falkenberg and Herremans, 1995, p. 134). In this, case is efficiency. Alas, the system that was designed to monitor the agents within an agency relationship, in this case to control the management of the school was not accompanied by the implementation of rewards criteria and performance appraisal standards. Instead of staff performance being motivated, therefore, dissatisfaction was strong amongst staff members toward the YPP, which constantly cut the budget realization below the approved budget level, and towards the management of the school.

Indeed, the school head and his vice heads demonstrated behaviour inconsistent with formally stated goals of efficiency that had been introduced by YPP and disseminated by FB to the school community. Although formal systems and procedures of budgeting inside the school were in place, the domination of personal relationships as a mode of communication turned the budget into a political football to
gain support from the staff. Unlike the YPP, which used the budget strictly as a “managerial device for surveillance and control” (Johannessen and Olaisen, 1993, p. 344) of its agents, management of the school frequently relied on the informal system of personal relationships to influence staff behaviour.

6.2 Ambiguity of performance measurement practices

From the previous discussion, it can be seen that the YPP had effectively used the budget as “both an enabling device and as a means of achieving hierarchical control” (Scapens and Roberts, 1993, p. 3) toward the management of the PBS Jakarta. The budget, therefore, provided “a discourse for domination structure and legitimacy” (Scapens and Roberts, 1993, p. 3) to cut routine expenses. Indeed, institutions develop and persist because of “the intervention of interested groups which have different degrees of power” (Abernethy and Chua, 1996, p. 572). Holding and managing all the school’s monies, the YPP became the most powerful group among the school’s stakeholders. As a result, it was able to dictate its efficiency discourse to the school’s management because the school was financially dependent on the YPP.

At the school level, however, the situation was different. Despite the budget’s function as a tool for managing cash flow, the Vice Head Finance and General Affairs exercised the budget to create new patron-client relationships and to get staff support. Budget variance reports were prepared monthly for whole activities. No attempt was made to classify variances by organizational units. The aim was mostly to meet the demands of top level management of the school and to demonstrate to the YPP that the school budget was functioning properly, and the school was therefore being managed efficiently.

Budget variance reports were performed at the school level to conform to coercive pressures (DiMaggio and Powell, 1983) from the YPP. The concern of the YPP was the efficiency measurement of the entire school. Thus, management of the school never prepared the variance reports at organizational unit level because the school head and all school vice heads never used the budget to evaluate performance of organizational units or staff members. The absence of such assessment demonstrated ambiguity of management in applying efficiency measurement to evaluate staff’s performance.

The head of the YPP, an accountant by education was a bank owner obsessed with the idea of accounting as a regime of “economic calculation” (Hopwood, 1987, p. 213) that represented organizational efficiency. He actively integrated the term “efficiency” as an “abstract language of economic motive and managerial analysis” (Hopwood, 1987, p. 226) into the social awareness of the school management and staff members. He also used the budget strictly to deliver the money to the school in order to enhance efficiency.

The head of YPP was extremely fanatical about his success in managing his small private banking institution. He repeatedly and proudly asserted to managerial staff members that his bank had survived the Indonesian financial crisis in 1997 because it was managed efficiently. He believed that management of the school had to be done the same way in order to survive[5]. For that reason, he introduced management accounting systems through tight budgeting mechanisms as “defining and constituting actual control structures (authority) and processes (information use)” (Dietrich, 2001, p. 5) into the school’s management.

The head of YPP and FB viewed the budgetary control process from a “technical-rational perspective” by which accounting and control systems became what Binberg et al. (1983, p. 116) described as:
a simple and rational process where a superior’s set of standards was communicated to a subordinate and subsequently used for performance evaluation and setting the next period’s budget. A superior’s task was then to set that level of standard that would maximize employee output.

This contributed to YPP’s failure to implement the system at the school level. Efficiency measurement had to be carefully defined if it wanted to be applied to the PBS Jakarta. Most activities related to the educational processes and research activities could not be efficiently measured. Therefore, it was not appropriate to evaluate such activities by using efficiency criteria because it might degrade the quality of the activities. Activities which could be efficiently measured were mostly under the vice head of Finance and General Affairs, such as purchasing activities, maintenance, cleaning services, and catering. The YPP failed to understand the school’s activities and treated all the activities similarly. As a result, the school’s management often departed from the budget criteria in order to keep the research and education activities running.

Performance evaluation, at the organizational unit of the school level, was an internal school affair in which the YPP apparently preferred not to intervene. To the YPP accounting, and especially budgeting, as repeatedly emphasized by the head of the YPP, focused on economic outcomes. The emphasis is in accordance with Armstrong’s (1994) idea that accounting focuses on economic outcomes while behavioral outcomes is part of the material aspects of power. It was the management of the school that held the managerial power to change the behaviour of staff. Formal organizational authority gives management, in this case the school head and his vice heads, the ability to initiate action that leads to enhanced performance of the staff (Markus and Pfeffer, 1983).

This created a paradoxical situation when, in reality, under FB, the appointment of organizational unit heads and managers was conducted through a formal transparent mechanism while he subjectively judged their performance. To the extent that he was able to formalize control systems – procedures and policies and selection processes (Tosi, 1983) – the daily managerial practices, included staff performance measurement, mostly remained unchanged. Budgeting, for the staff members, was simply a mechanism that had to be carried out in order to get money from the Vice Head Finance and General Affairs in which lobbying and personal relationships dominated. Performance was evaluated similarly.

The budgeting discourse in the school demonstrates that the institutionalization of the previous head of school’s values and practices had become legitimized – it became stable and taken for granted by the majority of the staff. According to Townley (1993), these may be changed with the intervention of school head power and disciplinary systems. However, FB, in that case, was unable to change the culture and to put his values into practice because of his inability to impose the disciplinary systems.

Indeed, the YPP had successfully pressured management of the school to increase efficiency – an achievement that was obviously contributed to by all organizational units and staff of the school. Alas, instead of getting the reward of a salary increase as promised, the welfare of the majority staff members was deteriorating, as were academic standards. As an agent of the YPP, FB was accountable for his actions. From the dialectical control perspective in which “agency entails the ability to act otherwise, to be able to intervene in the world, or to refrain from intervening” (Macintosh, 1995, p. 304), he was perceived by the majority of staff members of doing nothing to lessen the use of personal relationships as a determining factor in evaluating their performance.
6.3 Lack of reward systems
FB failed to develop formal rewards system to recognize staff performance because he was also unable to create clear performance’s criteria. Budget mechanisms that should have been used to measure efficiency were politically exercised to develop clientele relationships. Clearly, the school vice heads exercised the budget to build leader/follower relationships based on a series of exchanges or implicit bargains between both sides, a process known as transactional or compensatory leadership (Larsson and Ronnmark, 1996). Relations between the vice heads and the staff, accordingly, were dominated by compensation, benefit and negotiation.

Apparently, difficulty in getting funding from the YPP also made it impossible for the school management to give financial rewards and to increase their salary. The management could actually overcome the problem by exercising an informal reward system that required little or even no money in order to motivate the school’s staff. As a kind of incentive, FB could, for instance, personally praise staff who did a good job, write personal comments and publicly appreciate their good performance and hold meetings to boost the staff’s self-confidence (Graham and Unruh, 1990).

Unfortunately, management of the school did not have the initiative to bring such practices into the school. As a Leader, FB listened to, communicated with, recognized and encouraged only certain staff members. He lacked the “supportive behaviour” that rested on mutual respect and trust (Irgens, 1995, p. 19). This might psychologically prevent him from using such an informal reward system.

7. Accounting and budgeting: power and cultural interplay
In line with Arwidi and Samuelson’s (1993) idea, accounting in the form of budgetary control in the PBS Jakarta under FB played two important roles. First, it displayed that the real power holder who introduced and designed the budgetary control system in the school was the YPP. The YPP clearly demonstrated the role by imposing the budget as financial planning, control of responsibility and behavioral discipline on the school’s management. Second, for the participants in the school, it strengthened the managerial culture that was rooted in an informal and paternalistic system of relationships. Such relationships that dominated daily interaction between the school vice heads and managerial as well as academic staff members had divorced managerial practices from the formal budgeting system adopted.

The YPP used the budget as a power game in order to demonstrate its control over the school’s financial resources. This is in line with Markus and Pfeffer (1983, p. 206) who argue that accounting and control systems, including budgeting systems, can increase power because “they are used to change the performance of individuals and the outcomes of organizational processes”. Head of the YPP repeatedly criticized the school’s emphasis on physical achievement to measure performance. The intention was to replace the physical with a financial indicator – efficiency – as the main criteria for measuring performance at the staff and school level[7].

The success of the school head and the school as a whole were closely evaluated and monitored as to their efficiency achievement. Budgeting mechanisms played were used to measure this success. Since the YPP entirely controlled the financial resources, it could control the management of the school without any difficulty. The budget served as “a disciplinary device” (Carter et al., 2002, p. 522) for the management of the school. Failing to submit the budget in accordance with its timetable could create a significant...
financial problem to the school because the YPP would then refer to the previous year’s budget to allocate funds to the school. The budget was intended “to monitor the contract through the setting of targets, measurement of outcomes, and allocation of rewards” (Jones and Dugdale, 2001, p. 50).

These efficiency achievement and budgeting mechanisms became the budgeting norm that represented rules and requirements to which management of the school had to conform in order to receive financial support. This system, according to Mezias (1990), represents different interests of individuals inside an organization. Instead of accommodating the interests of the school community in the PBS Jakarta, however, the budgeting norm strongly represented the interests of the YPP[8]. Indeed, budget proposals that had been carefully prepared by the school and extensively discussed were always tightly reviewed, scrutinized and cut down by the YPP while the school management was held accountable for realization of the budget.

The YPP introduced its budgeting system to the school with the aim of reducing uncertainty and enhancing efficiency. In fact, it had created problems for management in dealing with the school’s activities. The school vice heads appeared to be using the system more flexibly to cope with the difficulty in getting funds from the YPP. The new imposed budgeting standard procedures were consciously modified at the operational level in the school. The discipline of the budgetary procedures was “inappropriate to the circumstances” (Burns and Scapens, 2000, p. 6) and apparently also unfitted to the existing culture of the school. Therefore, these might never become acceptable practices in which both sides – the committee members of the YPP and the school’s staff – could trust each other.

Budget interaction in the school was far more complex. Parker (2000, p. 222) asserts “all organizational cultures are unique, yet at the same time they share similar features”. The daily working relationships were inspired by the spirit of paternalism in the form of common identity and close personal relationships. In such an environment, conformity to the budgeting procedures as financial performance criteria was not sufficient to evaluate staff’s performance. Subordinates had to convince their superiors, in this case their school vice head, that they were becoming “a mirror image” (Carter et al., 2002, p. 522) of the superior themselves. This image would pave the way to get closer to the superior, an important step to accelerate and facilitate an approval of their proposal.

This demonstrated that at the school level, trust was placed in persons (Jones and Dugdale, 2001) in which the superior (school vice heads) decided “who – not whether – to trust […] as) part of a pattern of managerial control” (Armstrong, 1991, p. 13). The budget itself was exercised in conjunction with a personal approach that was often irrelevant to day-to-day decisions. Many staff members who had a close personal relationship with the Vice Head Finance and General Affairs, for instance, were involved in activities without any transparent financial responsibility or accountability.

8. Concluding remarks
PBS Jakarta experienced a radical reform of its control system; the new system was based on tight budgetary control. This system placed a heavy emphasis on meeting the budget, did not accept budget revisions during the year, had “a detailed interest in specific budget line-items”, did not “lightly tolerate deviations from interim budget targets”, and was “intensively engaged in budget-related communications” (van der Stede, 2001, p. 124; Anthony and Govindarajan, 1998). This became the dominant control mechanism used by YPP to deal with the management of the school.
However, the new system worked against patron-client relationships and physical criteria of performance measurement as the dominant elements of the school’s existing control system. The majority of the staff members regarded the norms – the old systems – that had been constructed to measure staff’s performance, as reasonable and appropriate. Many staff members perceived the new system as a mode of domination. As a result, it was perceived as an attempt to promote a hegemonic form of control (Willmott, 1993) to serve the interests of the YPP. Lack of cultural support for the new system made its implementation difficult and caused negative consequences for the school’s performance in general.

The formal control system adopted came apart once it was applied into the school’s daily managerial practices. Organizational reality and cultural continuity that was perceived through “socially constructed images” (Richardson, 1987, p. 347) of physical measures and patronage relationships remained in place. The influx of new actors into the school failed to redefine the school’s culture to become more adaptive toward the formal control system. The new School Head was unable to rationalize and give meaning to the formal system so that staff members might conform to it as “the official version of reality” (Richardson, 1987, p. 347). Therefore, the case of PBS Jakarta rejects the cultural functionalist’s (Smircich, 1983) beliefs that organizational culture can be controlled and governed by chief executive officers (Peters and Waterman, 1982; Schwartz and Davis, 1981).

Despite its success in increasing the school’s efficiency, the emphasis on formal technical-rational efficiency produced contrary results that had never occurred in the past – the deterioration of services and staff welfare. Owing to the underlying value and belief structures of the school’s informal control system which rested on personal relationships, the imposed formal control system generated conflicts among the staff and led them to pursue their own interests. Daily managerial behavior became chaotic. All school vice heads built their own patronage relationships to supplement the formal budget system. In addition, the school head’s lack of leadership apparently contributed to and deepened the problem.

The new system, alienated from the day-to-day managerial practices, failed “to become institutionalized as the taken-for-granted basis for actions and interactions” (Ribeiro and Scapens, 2006, p. 99). This might explain why the system was never fully accepted and integrated into the school’s decision-making processes. In daily managerial processes, management often relied on personal relationships. Resistance to the acceptance of the new system demonstrated the failure of YPP to consider contextual factors of culture and power distributions (Markus and Pfeffer, 1983) in the school. The tight budgeting-based control system reduced the ability of the school to maintain and improve the school’s services and its physical performance.

Notes
1. Since November 2007, PBS Jakarta has been transformed into Asian Banking-Finance and Informatics Institute of Perbanas known by its abbreviation as ABFI Institute of Perbanas.
2. The school head was assisted by four vice heads – Vice Head for Academic Affairs, Vice Head for Finance and General Affairs, Vice Head for Student Affairs, and Vice Head for Development Affairs.
3. He was an “easy going” person who never had a routine and exact schedule for coming to the office. In contrast, staff members who came late to the office were penalized.
4. Consistent with his belief system, FB lives a relatively in a modest life style. Therefore, he is known as “a clean person” who is not involved in corrupt practices.

5. Staff salaries were one of the school’s expenditures that he was unhappy with. An Ex-Vice Head Finance and General Affairs under FB who was forced to resign before completing her term recalled his constant criticism regarding the staff salaries. He thought that the salaries were too high. This might explain why during the management of FB, the staff salaries were never increased while inflation was skyrocketing. As a result, staff welfare was deteriorating. FB repeatedly promised to all staff members that increasing staff salaries would follow increasing the school’s efficiency – a promise that was never fulfilled until his resignation.

6. He himself intentionally demonstrated poor discipline in front of the staff. He always came late to the office, and was often absent altogether. He often even did not attend a meeting when he was supposed to lead the meeting. This conduct greatly eroded the legitimacy of his leadership and made it difficult for him to impose disciplinary action on the staff.

7. The YPP appointed a management consultant from outside to develop a new budgeting system by which efficiency became the sole criterion in evaluating performance. However, the new system failed to be implemented because most staff suspected that it was being used to exploit them financially.

8. This might explain the failure of the YPP to apply tight budgetary control at the school level.

References


Corresponding author
Imam Wahyudi can be contacted at: imam@stieperbanas.ac.id

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