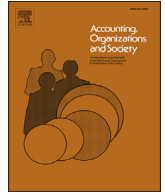




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## The interplay between ideological control and formal management control systems – A case study of a non-governmental organisation

Kalle Kraus\*, Cecilia Kennergren, Amelie von Unge

Stockholm School of Economics, Box 6501, 11383 Stockholm, Sweden

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### ABSTRACT

In this study we explore organisational ideology as an important dimension of management control systems (MCS). Through a case study of a health centre operating as an NGO we found that the ability of 'ideological talk' to emphasise the organisation's uniqueness and importance gave the manager a powerful instrument of control. Ideological control was also key to explaining the limited resistance to the implementation of financially oriented formal MCS. We contribute by detailing an important, yet still insufficiently explored, part of this implementation process, namely that the formal MCS, through the interplay with the predominant ideological control in place, became vested with symbolic significance. Thus, our findings show that the production of 'concurrent visibility' can be sought both through the design of formal MCS (as suggested by Chenhall, Hall, & Smith, 2013) and through the use of ideological control (as in our case). Our results also suggest the need to distinguish between professional and organisational identity when analysing MCS in health care organisations and NGOs.

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### 1. Introduction

In this study we explore organisational ideology as an important, yet still insufficiently explored, dimension of management control systems (MCS). Organisational ideology is defined as an over-arching idea-system that provides the fundamental justification and legitimation for what it would have employees believe is an established order (Czarniawska-Joerges, 1988; Thompson, 1980). The MCS literature has long recognised the importance of culture, clan controls and belief systems (Ahrens & Mollona, 2007; Dent, 1991; Efferin & Hopper, 2007; Ouchi, 1979; Simons, 1995), but has paid little attention to how managers use ideological control to indirectly govern employee behaviour by controlling their underlying experience, thoughts and feelings. Ideological control concerns managers' use of

rituals and symbols, and their verbal communication of the organisational ideology, through which they target employees' beliefs, emotions and values (Alvesson & Kärreman, 2004; Czarniawska-Joerges, 1988; Etzioni, 1975; Kunda, 1992).

Ideological control should be brought to the fore because it is often found that religious organisations, hospitals and non-governmental organisations (NGOs) have a significant proportion of employees whose commitment is primarily moral (Etzioni, 1964). Etzioni (1961, 1964, 1975) denotes such organisations 'normative organisations' and argues that ideological control is especially significant here. However, as stressed by Etzioni (1975, p. 6, 40–54), even in organisations where ideological control is predominant, certain elements of formal MCS have been established. The overall purpose of this study is to give a grounded account of ideological control and its interplay with formal MCS in normative organisations. We investigate MediOrg, a small religiously affiliated health centre operating as an NGO in rural India.

We also take up the related key issue of how a high level of compliance to formal MCS initiatives is achieved, including

\* Corresponding author. Department of Accounting, Stockholm School of Economics, Box 6501, 11383 Stockholm, Sweden.

E-mail addresses: [kalle.kraus@hhs.se](mailto:kalle.kraus@hhs.se) (K. Kraus), [cecilia.kennergren@alumni.hhs.se](mailto:cecilia.kennergren@alumni.hhs.se) (C. Kennergren), [amelie.vonunge@alumni.hhs.se](mailto:amelie.vonunge@alumni.hhs.se) (A. von Unge).

employees accepting increased use of MCS associated with an intrusion of economic rationality on work practices. The more micro-oriented<sup>1</sup> accounting literature on health care organisations and NGOs has, in the main, focused on resistance to formal MCS (Broadbent, Jacobs, & Laughlin, 2001; Dixon, Ritchie, & Siwale, 2006; Goddard & Assad, 2006; Jones & Dewing, 1997; Kurunmäki, 1999), without paying much attention to compliance. Specifically, we address how managers in normative organisations can use ideological control to achieve a high level of compliance among employees when implementing formal MCS. We examine the implementation and reception of behavioural controls at MediOrg that heralded and promoted a more financially oriented agenda.

Our study contributes to the MCS literature in a number of ways. First, a focus on ideological control is consistent with the emerging accounting research on the “expressive dimensions” of organisational life (e.g., Ahrens & Mollona, 2007; Boedker & Chua, 2013; Chenhall et al., in press). However, while this literature has analysed, for instance, the influence of subcultures on formal MCS and how formal MCS play an active role in values expression, less interest has been shown in how managers use organisational ideology to enact a particular form of experience for their employees and to create a highly valued sense of purpose. We found that it is mainly through ‘ideological talk’ in face-to-face contact between the manager and the employees that ideological control assumes specific significance in organisations. The ability of ‘ideological talk’ to emphasise MediOrg’s unique worth gave the manager a powerful instrument of control as it created characteristics of MediOrg that the employees perceived to be central, distinctive and enduring. Second, the use of ideological control and its creation of a strong and articulated organisational identity was of value to explain the absence of any resistance to the implementation of financially oriented formal MCS. Accounting scholarship has provided valuable knowledge of how the design characteristics and the implementation process of formal MCS can help to explain compliance (e.g., Ahrens & Chapman, 2004; Jordan & Messner, 2012; Wouters & Wilderom, 2008). We contribute by detailing a novel part of this implementation process, namely that a strong predominantly ideological control system was significant for how employees perceived the implementation of the formal MCS. Through the interplay with the predominant ideological control in place, the formal MCS became vested with symbolic significance. Third, Chenhall, Hall and Smith (2013) found that compliance increased when formal MCS were designed to produce ‘concurrent visibilities’ such that different evaluative principles of organisational actors were made visible. Our findings suggest that compromise between multiple values can be sought both through

the design of formal MCS (as in Chenhall et al., 2013) and through the use of ideological control, vesting the formal MCS with symbolic significance (as in our case). We also conclude that too much concurrent visibility might be problematic. In situations of apparent resource insufficiency, a limit is introduced on what can be accounted for by means of rational argumentation (c.f., Cho, Laine, Roberts, & Rodrigue, 2015; Messner, 2009). Open discussions may result in too much concurrent visibility, imposing an ethical burden on employees, who need to decide on something that they find difficult, or even impossible, to rationalise.

We also contribute to two related, yet distinct, empirical domains: management control in NGOs (e.g., Chenhall, Hall, & Smith, 2010; Chenhall et al., 2013, in press; O’Dwyer and Unerman, 2008), and management control in health care organisations (e.g., Kurunmäki, 1999, 2004; Jones & Dewing, 1997). Less developed countries such as India, where our case organisation MediOrg operates, often have neither the economy nor the capability to provide adequate public healthcare to their population (Banerjee, Glennerster & Duflo, 2008). As a result, the provision of health-care services in such countries is often taken care of by NGOs. The existing literature has demonstrated that tensions exist in NGOs between financial ideals, namely the pressure to balance budgets and meet the reporting requirements from the various funders, and the employees’ ethos to the social mission (e.g., Chenhall et al., 2010, 2013; Dixon et al., 2006; O’Dwyer and Unerman, 2008). However, accounting research on NGOs has mainly focused on ‘upward’ accountability to funders (Goddard & Assad, 2006; Hopper, Tsamenyi, Uddin, & Wickramasinghe, 2009; Hopwood, 2005; Unerman & O’Dwyer, 2006), paying relatively little attention to the use of ideological control and formal MCS in these NGOs. Our findings suggest that in spite of heavy intrusion of economic rationality on work practices, MediOrg did not appear to have lost its organisational identity. Thus, while recognising the role of formal MCS to manage the tensions between financial and social ideals in NGOs that has been documented in previous research, our findings reveal a more complex picture involving ideological control, formal MCS, moral considerations and spiritual leadership. These dimensions need to be taken into account when analysing how management control can help NGOs attract funding, while maintaining their identity.

Management control in health care organisations has primarily analysed the interplay between financial pressures and professional ideals in health centres and hospitals (e.g., Kurunmäki, 1999, 2004). Medical staff who had worked in direct contact with patients and had acquired many of the tools of management accounting acknowledged that economic reasoning could influence their decisions and the actions they took (e.g., Jacobs, 1998; Kurunmäki, Lapsley, & Melia, 2003; Kurunmäki, 1999, 2004). However, the majority of the studies highlight the importance of professional autonomy, where decisions concerning which patients to admit, how to examine and treat them, and how long to keep them in hospital were taken by the front-line healthcare professionals based on patient well-being, independent of financial concerns (Jones & Dewing, 1997; Nyland & Pettersen, 2004). Attempts to limit the professional autonomy of the doctors and nurses and increase the emphasis on economic reasoning have encountered strong opposition (Jones & Dewing, 1997; Lapsley, 2008), but these studies are mainly based on findings from ‘Western’ hospitals and health centres. Thus, studying the operation of a health centre in rural India, one of the world’s poorest countries, therefore offers the potential for new insights into the role of management control in health care organisations. More specifically, our findings suggest a need to distinguish between professional and organisational identity (see, Empson, 2004). Previous studies of health care organisations have focused on

<sup>1</sup> We acknowledge that there are studies within the domains of accounting and health care (e.g., Llewellyn & Northcott, 2005; Preston, Chua, & Neu, 1997) and accounting and NGOs (e.g., Neu, Everett, & Rahaman, 2009; Rahaman, Everett, & Neu, 2007, 2010) which have demonstrated how accounting calculations and techniques come to constitute or transform these organisations. These studies, inspired by Miller and Rose (1990, 1993, 1994; Rose & Miller, 1992) scholarship, mainly draw on the Foucauldian notion of governmentality and theorise accounting as a technology of government that is linked to wider socio-political objectives (c.f., Preston et al., 1997). As stressed by Miller and Rose (1990), governmentality studies have a programmatic character with an important focus of analysis being on political power, i.e., the way in which the state and other social actors, such as the World Bank, increasingly appear to act on and intervene in the lives of organisations and individuals. In these studies, less attention was paid to detailed accounts of the internal workings of specific health care organisations and NGOs, in particular where formal MCS initiatives from the managers were concerned, and the eventual compliance or resistance of the employees to initiatives. This is where the emphasis of the present study is laid, so our research adopts a more micro-oriented approach than those of Llewellyn and Northcott (2005), Preston et al. (1997), Neu et al. (2009), and Rahaman et al. (2007, 2010).

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