Management Control Systems for an improved sense of accountability within organizations

A literature study and a case study

J. Kloosterman
Amsterdam, July 2009
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Date: 22-9-2009
Summary

This thesis establishes a framework that can improve the sense of accountability within an organization. This article contributes to the existing literature by focusing on the relationship between management control systems and accountability. Previous research has focused elaborately on the separate concepts accountability and management control systems. However, the determinants constituting the relationship between management control systems and accountability have never been researched. Additionally, this article will contribute to the existing literature by focusing on how accountability may impact the design and capabilities of management control systems and on the links between accountability and performance measurement and internal control, as these subjects are underdeveloped research areas. Further, by focusing the research at the level of the organization by making the link between accountability and management control systems applicable to ABN AMRO N.V. Transaction Banking, a call to focus research inside organisations regarding the area of accountability will be addressed. Finally, this article will include the existing and emerging forms, styles, and practices of accountability, which is seen as an underdeveloped research area as well.

To arrive at a theoretical framework, this thesis has made extensive use of established literature that researched the concepts accountability and management control systems. The used literature has been combined and analyzed to be able to arrive at a theoretical framework. Ultimately, a theoretical framework is set up that describes how a management control system can improve the sense of accountability within organizations. After, a case study made clear how the theoretical framework could be suitable for ABN AMRO N.V. Transaction Banking to improve their sense of accountability.

Key words: accountability, management control systems
Acknowledgments

After months of writing, here is the result of my thesis. This thesis has been written to complete my Master of Business Administration with the specialization Organizational & Management Control. In this part of the thesis, I would like to take the opportunity to thank the people that helped me to complete this thesis.

This thesis could not have been made without the help of my first supervisor of the RuG. Therefore, I would like to thank Martijn van der Steen for giving me all the helpful advice and direction during the period I wrote my thesis. Additionally, I would like to thank Ben Crom, my second supervisor of the RuG. Third, I would like to thank Leo Wielstra who gave me the opportunity to perform a case study within ABN AMRO N.V. Transaction Banking. Finally, I would like to give some gratitude to all the people that were willing to participate in the interviews.

Hopefully you will enjoy reading this thesis.

Juul Kloosterman
Amsterdam, July 2009
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1 Introduction

ABN AMRO Bank N.V., a Dutch bank, was created as a result of the merger between Amsterdam-Rotterdam (AMRO) and ABN in 1990-1991. Between 1991 and 2007 ABN AMRO Bank N.V. was one of the largest banks in Europe and had operations in 63 countries in the world. In the biggest banking takeover in the history, in 2007, ABN AMRO Bank N.V. was acquired by a consortium of Royal Bank of Scotland Group, Fortis and Banco Santander. Due to the 2008 financial crisis, the Dutch government nationalised the divisions owned by Fortis. So, currently, ABN AMRO Bank N.V., is owned by RBS, the Dutch government and Banco Santander.

This thesis will partly be conducted at ABN AMRO Bank N.V. Transaction Banking(AA TB). I was asked to do research on performance and specifically on how it is possible that employees within AA TB do not always attain their targets, as this is seen as an issue.

When talking to employees about meeting targets, one issue arises repeatedly: the sense of accountability. Frequently, employees are not held accountable to their actions, and consequently not for meeting their targets. There often is no consequence involved for not meeting targets. When people would be held accountable, there would be a consequence involved in meeting or not meeting the target. Logically, employees would then exert more effort in attaining their targets, and consequently, there would be a higher possibility for employees to meet their targets. Hence, it seems that this accountability issue is a cause for employees not always achieving their targets. By improving the sense of accountability within AA TB, the performance (meeting targets) of employees may be enhanced.

The accountability issue unfolds in different ways, next to employees not always meeting their targets. For example in the personal performance plans that all employees make every year. In this personal performance plan 5 to 7 goals are addressed which the employee should work on and ideally attain during the year. When the targets have been achieved, this will result in a good evaluation at the end of the year along with a reward. When the targets have not been achieved, this will result in a poorer evaluation without rewards. However, in reality, often no consequence is involved when the targets have not been achieved.

In addition, the present sense of accountability within AA TB, is visible in the day to day culture. For instance, there is a focus on attaining targets in a group setting. This makes it hard to make people individually accountable. This focus on the group, facilitates an ‘excuse culture’. People make excuses for not attaining targets by explaining that they individually could not achieve those targets, as they were dependent on other people. Usually the excuses are accepted, which means that no consequences are involved.

Another instance, in which the present sense of accountability is obvious, is the observation that meetings and arrangements are not always strictly followed by employees. Examples mentioned by employees are that it is quite common for employees not to arrive on time for a meeting, or to pick up their phones during a meeting.

In the literature, accountability is a topic on which a lot of research has taken place. A general conclusion often is that it is important for organizations to set up strong accountability structures based on clear guidelines and the right types of incentives and consequences. Research found that behaviour often changes when people are held accountable to their actions, and that their behaviour becomes more proactive (Negotiation, 2009). People who lack accountability may feel confused about which direction to take or apathetic about the task at hand (Negotation, 2009). Gelfand (2004) found that when individuals do not know which direction to take, they spend a lot of time trying to get clarity and consequently they spend less attention on problem-solving, which leads to decreased performance.
Existing literature thus suggests that by improving accountability within an organization, the performance eventually will improve.

In this thesis, research will be done on how to improve accountability to eventually enhance the performance within AA TB. A solution will be found in the area of Organization & Management Control, as this is the background of the author. This thesis will contribute to the existing literature by focusing on how accountability may impact the design and capabilities of management control systems and on the links between accountability and performance measurement and internal control, as these subjects still seem to be an underdeveloped research area (Management Accounting Research, 2005; Dillard, 2008). In addition, previous literature has focused a lot on the separate concepts accountability and management control systems. This research contributes to this existing literature by establishing a framework that addresses the relationship between accountability and management control systems. Also, by focusing the research at the level of the organization by making the link between accountability and management control systems applicable to AA TB, a call to focus research inside organisations regarding the area of accountability will be addressed. Most studies about exploring the effects of accountability have been conducted in laboratorial settings, and were thereby unable to develop the ongoing dependencies between organizational actors, which govern real-world accountability relationships (Erdogan, 2004). Finally, this thesis will include the existing and emerging forms, styles, and practices of accountability, which is seen as an underdeveloped research area as well (Critical perspectives on accounting, 2008).

Now the reason for this research has been clarified, the next chapter will elaborate on the research design of this study. The problem statement, research methodology, definition of key concepts and the structure of this research will be addressed. After the research design has been discussed, the following chapters will deal with a literature review regarding management control systems and accountability, followed by a framework which can, theoretically, improve accountability by using Management Control Systems. Following the literature review, an empirical review dealing with the current situation regarding management control systems and accountability within ABN AMRO TB will be discussed, resulting in an answer on how the Management Control Systems within ABN AMRO TB can be changed in order to improve accountability. Ultimately, conclusions, recommendations, limitations and areas for future research will be addressed.
2 Research Design

This chapter will address the problem statement, definitions, methodology, and structure of this research.

2.1 Problem statement

The formulation of a problem statement consists of three elements, the research objective, the research question and the research conditions and requirements (de Leeuw, 1996). The research objective will be achieved by answering the research question and sub questions. The research requirements and conditions indicate what the limitations are under which this research will be conducted.

2.1.2 Research objective

In this research, the objective is to provide a possible solution on how to improve accountability by using Management Control Systems within ABN. The relationship between these two concepts will be described, followed by the current situation within ABN regarding accountability and the management control system, and how the management control system can be changed in order to improve the sense of accountability.

2.1.3 Research question

This element consists of the research question and the sub questions. The research question will be answered by providing answers to the sub questions.

The research question of this thesis is:

*How can a Management Control System improve accountability within ABN AMRO Bank N.V. Transaction Banking?*

Sub questions:

1. **What is accountability?**
   The goal of this sub question is to get a clear understanding of the concept accountability as it is the main concept of this thesis. There are a lot of different types of accountability and it is important to create a common concept to use for further analysis in this thesis. In addition, the answer to this sub question will set the basis for further analysis in subsequent chapters in this thesis.

2. **What is a management control system?**
   It is important to describe the concept of management control systems as this concept should be clear when describing the link between a management control system and accountability. In addition, the answer to this sub question will provide the viewer with a good understanding of the concept of management control systems and it will set the basis for further analysis in consequent chapters in this thesis.

3. **What is the relationship between a management control system and accountability?**
   This sub question will be answered by analysing the answers on sub questions 1 and 2. The relationship should be clear to be able to provide a framework which will improve accountability by using Management Control System.
4. **How can a management control system improve accountability and consequently performance?**
   
The result of this sub question will be a theoretical framework that describes the relationship between a management control system and accountability.

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**Literature review**

5. **What are the main characteristics of management control systems within ABN AMRO Bank N.V. Transaction Banking?**
   
When the current situation is described, the author will be able to give recommendations to AA TB regarding how the management control systems should be changed in order to improve the sense of accountability.

6. **How can the theoretical framework that is established in this thesis be used to improve the sense of accountability within ABN AMRO Bank N.V. Transaction Banking?**
   
The answer to this sub question is important in order to understand how the sense of accountability can be improved and which parts of the theoretical framework are effective in improving the sense of accountability within AA TB.

7. **How can the management control systems within ABN AMRO Bank N.V. Transaction Banking be changed in order to improve accountability?**
   
This sub question will provide an analysis on how the Management Control Systems within AA TB can be changed according to the theoretical framework.

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**Empirical review**

2.1.4 **Research Conditions and Requirements**

To perform a research, there are always conditions and requirements which the research should satisfy. The conditions and requirements can be divided into the conditions and requirements regarding the research process, and conditions and requirements regarding the product of the research (de Leeuw, 1996).

The research conditions regarding the process are that the research will be performed in a limited timeframe of one semester, which is 6 months. Also, the research will be carried out by a master student within the specialization of Organizational & Management Control, which means that the research will be conducted in this area.

The condition regarding the product of the research is that this thesis consists of a case study, next to a literature study, which means that the findings cannot easily be generalised. The goal of this research is to incite further research and to stimulate discussion.

2.2 **Definitions**

**Accountability**

‘A system of management which delegates certain responsibilities to employees and, in turn, holds these employees accountable for the achievement of predetermined objectives within their area of responsibility’ (Forchheimer, 1972).

**Management Control System**

The organization’s set of procedures and devices for monitoring, directing, evaluating, and compensating its employees (Anderson et al., 1987), used to ensure that the behaviours and decisions of their employees are consistent with the organization’s objectives and strategies (Malmi et al. 2008).

**Performance**

The extent to which employees meet their targets.
2.3 Research Methodology

Research can be divided in qualitative research, quantitative research, and mixed research. This research can be classified as qualitative research, as it focuses on the exploration of a problem specific for one organization (Creswell, 2003).

This research is a combination of a literature study and an empirical research. In the first part of this research, the literature study, desk research will take place. By using existing literature, the result of this phase will be a theoretical framework that describes the relationship between a management control system and accountability. The literature will be acquired through the library of the University of Groningen and by using search engines on the internet.

In the following phase, the empirical research, field research will take place. The research method chosen for this part of the research is a case study. According to Eisenhardt (1989), a case study can be used to create a detailed image of the dynamics within an organization. This part will encompass an empirical review conducted at AA TB. In this phase, interviews will be held with employees of AA TB. The goal of this phase is to get a clear picture of the current situation regarding Management Control Systems and on how the theoretical framework can be effective for AA TB, with the end result of having an analysis on how the Management Control Systems within ABN AMRO Bank N.V. Transaction Banking can be changed according to the theoretical framework.

2.4 Structure

This section addresses the structure that is followed in this thesis. The research has ten chapters, in which the following will be discussed.

Chapter one contains the introduction of this paper. In this chapter, there will be an elaboration on the main theme of this research. Chapter two addresses the research design. The main goals and research-and sub questions, the research methodology, and the limitations will be dealt with. In the next four chapters, the literature review will take place. Chapter three will address accountability. The goal of this chapter is to create a common understanding of this concept. Chapter four will deal with Management Control Systems, to get clarity around the several theories behind this concept. In Chapter five the relationship between a Management Control System and accountability will be discussed. Chapter six will provide a framework that describes the relationship between a Management Control System and accountability. The following chapters will focus on the empirical review. Chapter seven addresses the research methodology. Chapter eight will give the results of the case study. This chapter will give an answer to sub questions five, six and seven. The conclusions and recommendations for AA TB will be given in chapter nine. Finally, chapter ten will address limitations of this research and implications for future research.
3 Accountability

In this chapter, the accountability concept will be discussed. The goal of this chapter is to get a thorough understanding of the concept accountability, and to set the basis for further analysis in subsequent chapters in this thesis. In the first paragraph several definitions of accountability through time are discussed, further, an elaboration of the accountability concept will be given here. The second paragraph involves an overview of several factors that influence accountability. The last paragraph addresses several types of accountability.

3.1 Accountability defined

This paragraph addresses the concept accountability. The definition that will be used in this thesis will be given, followed by a further elaboration on the concept accountability; an overview of the accountability process and the necessity of accountability.

The concept accountability has been around for numerous years. In the ancient times, the Greek philosophers already noted the importance of accountability. They discussed accountability in the context of justice, punishment, and social control (Gelfand, et al., 2004). Ever since, much research has taken place on the topic accountability, and many definitions have passed.

For example, Forchheimer (1972) defines accountability as ‘a system of management which delegates certain responsibilities to employees and, in turn, holds these employees accountable for the achievement of predetermined objectives within their area of responsibility’. Tetlock (1983) defines accountability as ‘the social pressure to justify one’s view to others’, and also as ‘pressures to justify one’s causal interpretations of behaviors to others’ (Tetlock, 1985). The definitions of Tetlock imply the same; individuals feel pressured to explain their actions to others. Roberts and Scapens (1985) define accountability as ‘the giving and demanding of reasons for conduct’, and accountability can then be seen as ‘a chronic feature of daily conduct’. Another definition of accountability is given by Gray and Jenkins (1986): ‘the sets of meanings which bind the steward and the principal and which govern the liability of the steward to present an account of the conduct of the stewardship’. Stewardship is ascertained when a superior (the principal) delegates the subordinate (steward) with resources and responsibilities. Lerner (1999) defines accountability as ‘The implicit or explicit expectation that one may be called on to justify one’s beliefs, feelings, and actions to others’. Accountability has also been defined as the ability to have actions to answer for one’s actions or inaction and to be responsible for their consequences to higher authority (Roberts, 2002). ‘The feelings of responsibility, and obligation, and the need to justify one’s actions to others or to one’s self’ is the definition that Erdogan et al. (2004) use for accountability.

All these definitions have three underlying assumptions in common (Mulgan et al., 2000). Accountability is external, in that the account is given to an individual or a body, other than the person or the body who is held accountable. It also involves social interaction and exchange; the person or body who is calling for account seeks clarification and justifications for the actions the person or body who is being held accountable takes, while the individual or body who is being held accountable, responds to this, and accepts sanctions. Finally, accountability entails the rights of authority; the person or body calling for account shows rights of superior authority over the individual or body who is being held accountable; this includes the right to demand answers and to impose sanctions or rewards.

Accountability can also be defined in other ways. Ruffner et al. (2004) define accountability as ‘how those entrusted with the powers of state are held responsible for their actions’. The three underlying assumptions discussed before are not included in this definition. Romzek and Dubnick (1987) use define accountability as ‘the means by which superiors and subordinates manage the diverse expectations generated within and outside the organization’. This definition focuses upon the
management of diverse expectations within organizations; instead of on the three underlying assumptions of accountability. The definition of McCrindell (1994) focuses on trust, and does not include the underlying assumptions either: ‘accountability is what one exchanges for trust’. ‘A personal commitment to get results’ is the definition that Connors et al. (1999) use. They purposefully left out the ‘blaming’ part of accountability, as this article focuses on an internal commitment from individuals to attain certain goals.

In this thesis, the concept accountability is meant to cover the three underlying assumptions of accountability described above: externality, social interaction and exchange, and rights of authority. Within organizations, subordinates are given an account by superiors. Consequently, the subordinates have to clarify and justify their behaviors to their superior. This relationship entails the right of authority as the superior demands answers of the subordinate and, ultimately, the superior can impose sanctions or rewards. In this thesis, this is the way the accountability concept will be used, as it will be researched how the sense of accountability can be improved to finally enhance performance (in the sense of meeting targets). Individuals should be accountable for (not) meeting targets; targets and consequently the account are imposed externally, targets require social interaction (to evaluate whether the targets have been reached properly), and targets entail rights of authority (a reward or sanction should go along with (not) meeting targets).

In this thesis, the concept accountability will follow the definition given by Forchheimer (1972): ‘A system of management which delegates certain responsibilities to employees and, in turn, holds these employees accountable for the achievement of predetermined objectives within their area of responsibility’. In this definition, employees’ responsibility for the consequences of their actions and the achievement of predetermined objectives (targets) is addressed. In this thesis, attainment of targets is an important element, this often goes along with having consequences in place for (not) meeting targets.

According to Erdogan (2004), accountability is a process which evolves through four stages. The first stage is the inquiry stage. In this stage, individuals see the first signs of behavioral standards and the need to explain and justify future behavior. Consequently, the individual perceptions of accountability will be formed. In the next stage, accounting, employees need to account for behaviors they showed in the past. The third stage, judgment, involves the justifications of the employee for the behaviors they have shown. The final stage, sanctions, contains the rewarding or punishing of the subordinate by the superior on the basis of the actual results of the subordinate compared to the desired results, set in the past. This process also involves the communication of norms and values, of desired behaviors, and of what is approved and disapproved within an organization (Roberts et al.,1985). The communication involves preferred actions of what should happen, and it is on this basis that employees make sense of what is happening within organizations, and this also defines how they set priorities for themselves (Roberts et al.,1985).

When individuals are held accountable for their actions, this serves to sharpen and clarify their image of themselves, the actions they undertake, and the decisions they make (Roberts, 1991; Erdogan et al., 2004). When individuals are not held accountable, this seems to blurren and weaken the image they have of themselves and the actions they undertake (Roberts, 1991). In addition, the pressure of being accountable can impact what people think (the norms and values they express) and how they think (the strategies people use to form certain norms and values) (Tetlock, 1983). Individuals who know that the person to whom they are accountable are liberal, will express themselves more in a liberal way. When individuals know that the person to whom they are accountable are conservative, they will express themselves more in a conservative way. This means that people will change their own behavior and views when they know the views of their superiors (Tetlock, 1983). Tetlock (1983), and Tetlock et al. (1987) also found that when individuals do not know the views of their superior, but are held accountable, they engage in more complex information gathering about the topic at hand, because they do not have the simple option of expressing the same views of their superior’s. Tetlock et al. (1987) found as well that when people feel committed to their jobs, they will devote a majority of their mental
effort to justify these jobs. Also, employees will exert more time and resources in finding an optimal decision, when they are held accountable (McAllister et al., 1979).

In this paragraph a definition has been given that will be used in this thesis. Also, a further elaboration on the concept accountability has been given in order to provide a clearer picture of the accountability concept.

The next paragraph will focus on the factors that influence the sense of accountability within organizations to broaden the knowledge on the concept accountability. Also, these factors can give an insight into what to focus on when one wants to improve the sense of accountability within an organization.

3.2 Factors influencing the sense of accountability

Now the accountability definition is clear, the factors influencing accountability will be outlined. These factors show what to focus upon when trying to improve accountability.

The elements within an accountability web are the individuals with whom an individual perceives an accountability relationship (Gelfand et al., 2004). An important component of this web is alignment; consistency of the perceptions employees have of accountability (Gelfand et al., 2004). Employees can feel great uncertainty concerning the extent to which they are accountable within their occupations. It is not always clear to them what is expected from them in terms of accountability (Gelfand et al., 2004). For many types of behaviors there do not exist open and clear written documentation. Consequently, accountability emerges as a result of implicit psychological contracts, rather than explicit employment contracts (Erdogan et al., 2004). Therefore, there can be many variable perceptions of accountability between employees within an organization. When the alignment is low, the expectations people have of accountability (to whom they are accountable, and what they are accountable for), will not reflect the expectations of accountability other people within the organization have. This will consequently lead to conflict and confusion, and may eventually have a negative impact on the general performance of the organization (Gelfand et al., 2004).

Literature suggests that situations in which a supervisor regularly has face-to-face meetings with subordinates about performance, tasks and responsibilities, will promote a greater sense of accountability towards subordinates. Consequently, the subordinates will show greater feelings of accountability (Klimoski et al., 2009).

When employees know the views of their superior, they will adjust their own views towards the views of their superior, to please their superior (Roch et al., 2007). Employees who are held accountable feel pressured to please their superior and will try to provide the type of response that the employee thinks his/her superior wants (Roch et al., 2007). In addition, Lerner et al. (1999) found that people want to have the approval of their audience. It is therefore important for superiors to express their views carefully to their subordinates. That way, accountable individuals can better provide the type of response that the superior wants, and they know better what they are accountable for, and what kind of actions they should take.

In their articles, Roberts (2002), and Boyne (2002) suggest that superiors should express their views to their subordinates through the means of having a dialogue. According to Boyne (2002), the process of account giving should involve a form of dialogue; the subordinate should have the right to justify and explain his/her performance, followed by the superior who may question the performance of that subordinate in the process of holding to account. The dialogue itself is a process of mutual collaboration and understanding that emerges when participants treat each other equally and when they empathically listen to each other (Roberts, 2002). According to Roberts (2002), a dialogue will stimulate the sense of accountability employees have, because the transparency of a dialogue can clarify the accountability structures within an organization. A clear accountability structure means that
all employees within an organization have a good understanding about whom they are accountable to, what they are accountable for, and what their colleagues are accountable for.

In addition to Gelfand (2004), Negotiation (2009) addressed that the general performance of an organization may increase when the sense of accountability is improved. Research found that employees will change their behavior significantly when they have to give rationale for their actions (Negotiation, 2009). Additionally, employees who are not held accountable may have feelings of confusion about which direction to take and they may be indifferent about the tasks they have to perform (Negotiation, 2009). In addition, according to Burney et al., (2007), performance will decrease if roles are not precisely defined, since behaviors would then be very likely to be misdirected, inefficient or insufficient.

Organizations should set up clear accountability measures based on comprehensible guidelines and the correct kinds of rewards and consequences to improve performance (Negotiation, 2009). Based on recent research Negotiation (2009) suggests that organizations should incorporate two important steps to have clear accountability structures within organizations. The first step is to set up accountability measures in advance. Recent research suggests that performance of employees improved when they were told in advance that they would have to justify their behavior afterwards. Employees who were not told in advance they would have to justify their behavior afterwards, were not able to improve performance (Negotiation, 2009). It therefore seems that employees get motivated to do their utmost by being accountable. The second and final step is to communicate key goals to employees. To make sure employees focus on the real issues it is important that the key goals are clearly communicated. Employees have to know exactly what it is they are accountable for and what goals they have to achieve and what they will be evaluated upon to be able to properly use the accountability concept (Negotiation, 2009).

Not only for employees is it important to know what their exact role is within an organization. In addition, for superiors it is important to have a clear image of the roles of their subordinates (Roberts et al., 1983). Because of the complex interdependence of action taking within organizations, it is often hard for superiors to determine who is responsible for certain actions, and consequently who should be held accountable for certain actions (Roberts et al., 1983). When roles are clearly described, the superior can more easily hand over tasks, provide instructions and direction and set, monitor and measure performance against expectations (Roberts et al., 1983). Consequently, subordinates can be held accountable for their performance. Additionally, this will demonstrate accountability on a high level, and the willingness and ability of superiors to make decisions on the basis of results (Mulvaney et al., 2006). As a result, this inspires employees to do the same. This is an important factor in the process of building a culture of accountability (Mulvaney et al., 2006).

The following table gives a summation of the factors influencing accountability mentioned in this paragraph:

| 1 | Consistency of employees’ perceptions of accountability |
| 2 | Regular face-to-face meetings |
| 3 | For superiors to express their views carefully to their subordinates |
| 4 | Establishing a dialogue between superior and subordinate |
| 5 | Set up clear accountability measures |
| 6 | Communicate key goals |
| 7 | Clearly defined roles |
| 8 | Demonstrate accountability on a high level |

**Table 3.1: Factors influencing accountability**

The first factor, consistency of employees’ perceptions of accountability is important in the process of having clear accountability structures within an organization. When all employees have the same perceptions of accountability, there will be no confusion or conflict on this subject. The second factor, regular face-to-face meetings, promotes a greater sense of accountability within an organization towards the subordinate. Consequently the subordinate will show greater feelings of accountability.
The third factor, for superiors to express their views carefully to their subordinates, will lead to clearer accountability structures within an organization. Establishing a dialogue between superior and subordinate, will stimulate employees’ sense of accountability by making the accountability concept more transparent and visible. This factor will also lead to clearer accountability structures within an organization. The fifth and sixth factor, to communicate key goals and to set up clear accountability measures, are steps to be taken to have clear accountability structures in place. Clearly defined roles are important for subordinates to know exactly what it is they are accountable for, and also for superiors to know which subordinate to hold accountable. This factor also has the objective to incorporate clear accountability structures within organizations. The demonstration of accountability on a high level is important to create commitment accountability within organizations, and is important in the process towards building a culture of accountability.

In this paragraph, the factors influencing accountability have been addressed. This showed that an important element when trying to improve accountability, is to have clear accountability structures in place within organizations.

The next paragraph will address several types of accountability that have been addressed in foregoing research.

3.3 Types of accountability

The search for having employees being accountable has led to several identifications of accountability. In this paragraph, these identifications will be addressed. These identifications will form the foundation on which later analysis and ultimately, a theoretical framework will be based.

In his article, Posner (2006) distinguishes between formal and informal accountability. Formal accountability is the judicial, legislative, and executive or hierarchical control. Formal accountability is the explicit standard for performance. Informal accountability arises from society’s mores, its political and social philosophies, bureau philosophy and culture as well as from bureau executives and managers’ professional norms and codes of ethics. Informal accountability is the implicit standard for performance.

Roberts (1991, 2001) distinguishes between two forms of accountability: individualizing forms of accountability, and socializing forms of accountability. In the individualizing form of accountability, hierarchy plays a crucial role. Individualizing forms of accountability take place in the formal sphere of the organization; superiors give objective feedback to the subordinates on performance along with positive and negative consequences for acquired results. This performance evaluation is compared to the performance of other employees within the organization, and this becomes the mirror through which individuals need to prove themselves. This hierarchical pattern thus serves to produce an individualized sense of one-self. Socializing forms of accountability take place in the informal sphere of the organization. The basis of this form of accountability is not hierarchy, but equivalent relationships. Mutual understandings, loyalty and ties of friendships are built; this leads to a sense of mutual dependence. This form thus verifies one self in a way that highlights the interdependence of one self with other individuals. The conditions under which the social form of accountability flourishes are a relative absence of asymmetries of power, and a context for the occurrence of informal face to face contacts. Both types of accountability can exist within organizations (Roberts, 1991; Roberts, 2001).

Boyne (2002) divides accountability into four different types in his article: managerial accountability, legal accountability, professional accountability, and consumer accountability. Managerial accountability involves the type of accountability where subordinates are accountable to their superiors. Legal accountability addresses the accountability towards legal procedures. Professional accountability occurs when employees feel accountable to their peers. Consumer accountability means that employees have feelings of accountability towards their customers.
Boyne (2002) also mentions another division of accountability within his article: internal and external accountability. External accountability occurs when organizations give an account to, or are held accountable by external organizations (this can for example be the government). Internal accountability within this concept means the accountability structures within organizations of subordinates being accountable to superiors.

Romzek and Dubnick (1987) identify another distinction of accountability in their article, defined along two dimensions: the source of control (internal or external) and the degree of control (high or low). Internal sources of control imply the control from within an organization; the formal hierarchical relationships or the informal social relationships within an organization. External sources of control imply the control from outside of the organization; formalized legal arrangements, or the informal exercise of control from interests outside of the organization. A high degree of control is established when a superior has the ability to set the exact range and set of actions their subordinates can take. A low degree of control arises when a considerable amount of discretion is needed to determine the range and set of actions needed. Using these dimensions, Romzek and Dubnick (1987) derive four different forms of accountability, namely: bureaucratic accountability, legal accountability, professional accountability, and political accountability.

The following table shows a graphical picture of these accountability types.

<table>
<thead>
<tr>
<th>Source of Agency Control</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal</strong></td>
<td><strong>External</strong></td>
</tr>
<tr>
<td>Bureaucratic accountability</td>
<td>Legal accountability</td>
</tr>
<tr>
<td>Professional accountability</td>
<td>Political accountability</td>
</tr>
</tbody>
</table>

Table 3.2: Types of accountability (Romzek and Dubnick, 1987)

In case of bureaucratic accountability, the focus is on internal control; a structured and legitimate, hierarchical relationship between a subordinate and a superior within an organization. The extent of control the superior has over the subordinate is high; there is close supervision with clearly stated rules and regulations. This form of accountability is widely used within organizations. In case of legal accountability, the focus is on external control; an external party (an organization or an external individual) who has the ability to impose legal sanctions or assert formal contractual engagements. The external party can be referred to as the ‘lawmaker’. The extent of control the external party has over the organization is high; control is frequently applied, by the external party over the organization, to a wide range of activities performed within the organization. The relationship between the external party and the organization is more equal than the relationship between supervisor and subordinate in case of bureaucratic accountability. Professional accountability exists when there is low internal control. This form is based on a high esteem superiors have on the ability of subordinates to perform good results. The placement of control over their own organizational activities is delegated to the subordinates who have the special skills and expertise knowledge, when this type of accountability prevails. This means that the extent of control the superior has over the subordinate is low; there is no close supervision or a standard operating procedure within the organization. Political accountability is established when low external control prevails. This type of accountability addresses the need for an organization to be responsive to the needs of the organizations’ external stakeholders (other than the external parties addressed under legal accountability). The extent of control the stakeholders have over the organization is low; stakeholders’ control over the organization is not frequently applied, and there is no urgent need for the organization to conform to the needs of the stakeholders.

Simonson and Staw (1992) separate accountability in two other categories, namely outcome accountability and process accountability. When there is outcome accountability, employees are
accountable for the results they have achieved. In case of process accountability, employees are accountable for the actions they take and the decisions they make to achieve a particular outcome.

Erdogan et al. (2004) distinguish accountability according to the source of accountability and the object of accountability. That way they provide four types of accountability. There can be internal and/or external accountability within organizations (Erdogan et al., 2004; Beach et al., 1987). Internal and external types of accountability emerge from the source of accountability (Erdogan et al., 2004). When there is internal accountability, people perform certain behaviours because of commitment to oneself. Individuals are personally involved in the actions and outcomes; this can lead to personally imposed accountability. Under external accountability, individuals perform certain behaviour because of commitment to others. The second aspect of accountability, the object of accountability, leads to specific or generalized forms of accountability. When there is specific accountability, individuals feel the need to perform specific behaviours, whereas in case of generalized accountability individuals are likely to feel a need to show a broad range of different behaviours. In case of specific accountability, a specific type of behaviour is requested for by superiors, whereas in case of generalized accountability, individuals show a wider variety of behaviours.

Another framework for classifying different types of accountability is illustrated in Roberts (2002) article. This framework consists of three forms of accountability. These three forms together offer a comprehensive coverage of all bureau activity (Roberts, 2002). The first one is direction-based accountability. This is the first step managers take. Managers are supposed to plan their organization’s direction strategically and define specific goals they wish to pursue. This type of accountability should guarantee that within the organization, actions are taken that lead to the implementation of the strategy. In addition, this type of accountability should guarantee that employees have a clear view of the direction the organization wants to take, and consequently that employees themselves know what direction they should take. After this step has been taken, managers specify the output and outcome measures that will be used to measure and check whether certain results and specific goals have been met; this is called performance-based accountability. This type of accountability should guarantee that employees take the right actions that lead to the right results. The last type of accountability tries to constrain and guide behaviour into the right direction by the establishment of rules, guidelines and regulations. This type of accountability is called procedure-based accountability and is supportive to the other two types of accountability. It should help attaining the goals and results under performance-based accountability and the strategy under direction-based accountability. When these three types of accountability are used and combined properly within an organization, employees will know what direction the organization wants them to take, how they can contribute to the strategy, and how they can take the right actions that lead to the right results (Roberts, 2002).

In this paragraph, several types of accountability have been given. In the following table a summation of all types of accountability mentioned in this paragraph will be given. These various types of accountability will form the basis on which a theoretical framework will be made in consequent chapters.

<table>
<thead>
<tr>
<th>Author</th>
<th>Types of Accountability</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Informal Accountability</td>
<td>The implicit standard for performance</td>
</tr>
<tr>
<td>Roberts (1991, 2001)</td>
<td>Individualizing forms of Accountability</td>
<td>Takes place in the formal sphere of an organization and produces an individualized sense of one-self</td>
</tr>
<tr>
<td></td>
<td>Socializing forms of Accountability</td>
<td>Takes place in the informal sphere of an organization and highlights the interdependence of one self with other</td>
</tr>
<tr>
<td>Boyne (2002)</td>
<td>Managerial Accountability</td>
<td>Subordinates being accountable to superiors</td>
</tr>
<tr>
<td></td>
<td>Legal Accountability</td>
<td>Accountability towards legal procedures</td>
</tr>
<tr>
<td></td>
<td>Professional Accountability</td>
<td>Employees feeling accountable towards their peers</td>
</tr>
<tr>
<td></td>
<td>Consumer Accountability</td>
<td>Employees feeling accountable towards their customers</td>
</tr>
<tr>
<td>Boyne (2002)</td>
<td>Internal Accountability</td>
<td>Accountability within organizations</td>
</tr>
<tr>
<td></td>
<td>External Accountability</td>
<td>Organizations being accountable towards external institutions/organizations</td>
</tr>
<tr>
<td>Romzek and Dubnick (1987)</td>
<td>Bureaucratic accountability</td>
<td>High internal control which is based on supervision and hierarchism</td>
</tr>
<tr>
<td></td>
<td>Legal Accountability</td>
<td>High external control, where the external party can impose legal sanctions or contractual engagements</td>
</tr>
<tr>
<td></td>
<td>Professional Accountability</td>
<td>Low internal control where the placement of control is delegated to subordinates</td>
</tr>
<tr>
<td></td>
<td>Political Accountability</td>
<td>Low external control where the organization is responsive towards external agencies</td>
</tr>
<tr>
<td>Simonson and Staw (1992)</td>
<td>Outcome Accountability</td>
<td>Employees being accountable for their results</td>
</tr>
<tr>
<td></td>
<td>Process Accountability</td>
<td>Employees being accountable for their actions</td>
</tr>
<tr>
<td>Erdogan et al. (2004)</td>
<td>Internal Accountability</td>
<td>Individuals show certain behaviours because of commitment to oneself</td>
</tr>
<tr>
<td></td>
<td>External Accountability</td>
<td>Individuals perform certain behaviours because of commitment to others</td>
</tr>
<tr>
<td></td>
<td>Specific Accountability</td>
<td>Individuals show specific behaviours</td>
</tr>
<tr>
<td></td>
<td>Generalized Accountability</td>
<td>Individuals show a broad range of different behaviours</td>
</tr>
<tr>
<td>Roberts (2002)</td>
<td>Direction-based Accountability</td>
<td>The planning of the strategic direction of the organization and the definition of specific goals</td>
</tr>
<tr>
<td></td>
<td>Performance-based Accountability</td>
<td>The specification of output and outcome measures to check whether certain results have been met</td>
</tr>
<tr>
<td></td>
<td>Procedure-based Accountability</td>
<td>Constraining and guiding</td>
</tr>
</tbody>
</table>
This paragraph focused upon several different types of accountability. At the end of this paragraph, a summation of all these different types has been given. The several types of accountability mentioned in this paragraph will later on in this thesis be used as a basis for further analysis and as a basis for the theoretical framework on how to improve the sense of accountability by using Management Control Systems.

Now the concept accountability has been discussed; several definition have been discussed, it has been shown what factors influence accountability and several types of accountability have been set out, the next chapter will elaborate on the subject Management Control Systems.
4 Management Control Systems

In this chapter the content of Management Control Systems (MCSs) will be described. The goal of this chapter is to get a good understanding of the concept MCSs and to set the basis for further analysis in consequent chapters in this thesis. The first paragraph will deal with several definitions of MCSs and gives some background information of the concept MCSs. The second paragraph elaborates on several types of management control, the final paragraph addresses several types of MCSs.

4.1 Management Control Systems defined

In this paragraph several definitions of MCSs will be given, and finally, one definition will be given which will be used in this thesis. This paragraph ends with a description of the necessity of having MCSs in place.

The definition of MCSs has changed during the years from focusing on the provision of more formal, financially quantifiable information to assist managers in decision making to one that contains a much broader scope of information (Chenhall, 2003). This broader scope includes for example information on markets, customers, competitors and non-financial information. Nowadays, it is also suggested that MCSs should focus more on supporting the strategy of an organization (Langfield-Smith, 1997).

Several authors see MCSs as a means to achieve goal congruence. Anthony (1965) defined MCSs as ‘the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives’. Malmi et al. (2008) define MCSs as ‘all devices used to ensure that the behaviours and decisions of their employees are consistent with the organization’s objectives and strategies’. Goold and Quinn (1990) define MCSs in their article as ‘the process which allows senior management to determine whether a business unit is performing satisfactorily, and which provides motivation for business unit management to see that it continues to do so’. According to Goold and Quinn, these MCSs therefore include a common understanding between different levels of management of the organizations’ objectives; the monitoring of performance against these objectives, and feedback on the actual performance along with sanctions or incentives.

Some authors use broader definitions of MCSs. According to Morris (1986), an MCS is designed to offer a permanent summary of all kinds of information the manager needs. He argues that the most important features of an MCS are its accuracy, timeliness, consistency, and accessibility of the information. Chenhall (2003) defined MCSs as ‘a broader term that encompasses Management Accounting Systems and also includes other controls such as personal and clan controls’. A Management Accounting System is ‘the systematic use of Management Accounting to achieve some goal’. Management Accounting is the ‘collection of practices such as budgeting or product costing’.

Also narrower definitions of MCSs have been used by authors. Anderson and Oliver (1987) define a control system as ‘the organization’s set of procedures for monitoring, directing, evaluating, and compensating its employees’. The system should influence the behaviour of employees, preferably in a way that enhances the performance of the organization. This definition is focused specifically on the behaviour of employees. Merchant and van der Stede (1997) also focus on the behaviour of employees in their definition of MCSs: ‘It is people in the organization who make things happen. Management control systems are necessary to guard against the possibilities that people do something the organization does not want them to do’. Rajan (1992) views MCSs as having the role of ensuring that ‘managers choose actions desired by the owner’. This definition focuses on action taking behaviour of the employees. Nilsson (2002) also uses a narrow definition of MCSs. He sees MCSs as helpful in formulating and implementing the organizations’ strategy. This definition focuses on the strategy of the organization. In addition, Teall (1992) focuses on the strategy of the organization when defining
MCSs. He defines MCSs as ‘the means by which senior managers ensure that subordinate managers, efficiently and effectively, strive to attain the company's strategy’.

In this thesis, a definition that focuses on goal congruence and behaviour will be used. This thesis focuses on improving the sense of accountability. The ultimate intention of improving accountability in this thesis is to increase performance (the achievement of targets). Targets are deducted from the general objectives of an organization, and should thus be in line with the organizations’ goals, i.e. goal congruence. The behaviour of employees is important in the attainment of targets. For this thesis it is important to see how the behaviour can be influenced to help guarantee the attainment of the targets. This thesis will research whether the sense of accountability can be improved by using MCSs. The definition of MCSs as used in this thesis will thus focus on goal congruence and behaviour. Therefore, this thesis will combine the definitions of Malmi et al. (2008) and Anderson and Oliver (1987): the organization’s set of procedures and devices for monitoring, directing, evaluating, and compensating its employees, used to ensure that the behaviours and decisions of their employees are consistent with the organization’s objectives and strategies.

The need of having MCSs in place within an organization arises from three main categories of causes (Merchant et al., 2007). These causes all address the behaviour of the employees that the MCSs try to direct. The categories are lack of direction, motivational problems, and personal limitations (Merchant et al., 2007).

When employees do not know how the organization wants them to act, they are likely to perform poorly. When there is unclarity about the direction of the organization amongst employees, the probability of the desired behaviours taking place is small. This lack of direction addresses one function of management control, namely informing employees about how they can contribute to the fulfilment of the organizations’ objectives (Merchant et al., 2007).

The second category, motivational problems, occurs because individual and organizational objectives do not always coincide (Merchant et al., 2007). Many employees sometimes act in their own interests at the expense of the organizations’ interest. Wasting time, mismanagement, falsifying data, stealing, and abusing organizational resources are types of employees misconduct occurring in many organizations (Merchant et al., 2007). MCSs can be employed to circumvent or alleviate these harmful behaviours, and to motivate positive behaviours. They can encourage employees to put a lot of effort in meeting organizational objectives, for example by making use of the right types of incentives.

The last category, personal limitations, happens when employees are motivated and know what the organization expects of them, but are unable to perform well because of certain personal limitations. These limitations can be caused by a lack of necessary intelligence, training, experience, information or knowledge for the job they have to perform (Merchant et al., 2007). Many management control problems occur because of employees not having the right information to conduct their jobs (Merchant et al., 2007). These limitations can be problems as they reduce the probability of employees doing a good job, and as a consequence, for the entire organization to achieve its objectives. MCSs can be employed to ensure employees have the right information and knowledge to perform their jobs.

Goold and Quinn (1990) add a fourth reason for having MCSs in place, namely the ability for senior management to intervene. As even the best plans can fail, management must decide when and how to intervene. MCSs monitor performance and can therefore identify deviations from agreed actions (Goold et al., 1990). This way MCSs can provide signals and can consequently trigger management to intervene.

In this paragraph the concept of MCSs has been described; a definition has been given, and the need of having MCSs in place has been discussed. The next paragraph will focus on different types of management control.
4.2 Types of management control

Control has been categorized in many ways. This section will address several types of management control to demonstrate the breadth of control that is employed in foregoing research, and it will set the basis for further analysis in consequent chapters in this thesis.

Merchant and van der Stede (2007), identify four types of control: results control, action control, personnel and cultural control.

Results controls are used to control the behaviours of employees at many levels of the organization, but especially for professional employees, who have decision authority. This type of control does not tell employees what to do. Instead, employees are empowered to take actions they believe will produce the best results. Employees are evaluated on the basis of the results of their actions. Consequently, results controls influence the actions employees take, because they cause employees to be apprehensive to the consequences of the actions (Merchant et al., 2007).

Action controls are another means of making it more likely that employees act in the best interest of the firm. This type of control involves guaranteeing that employees do or do not perform certain actions that are valuable or damaging to the organization. Action controls exist in four basic forms: behavioural constraints, pre action reviews, action accountability, and redundancy. The first form of action control, behavioural constraints, is a negative form of control. They make it hardly possible for employees to perform certain actions that should not be performed. These constraints can be implemented physically or administratively. Examples of physical constraints are locks on desks and computer passwords. Examples of administrative constraints are the restriction of decision-making authority, and separation of duties (splitting up the tasks necessary for the achievement of certain sensitive duties). The second form of action control, pre action reviews, involves the review of the action plans of the employee who is being controlled. The reviewers can approve or disapprove the suggested actions. The third form of action control, action accountability, consists of holding employees accountable to certain actions they have to perform. Four steps are required for the implementation of action accountability controls: defining what actions are acceptable and unacceptable, communicating those actions to employees, keeping track of what happens, and rewarding good actions or punishing bad actions. The fourth form of action control, redundancy, involves the assignment of more employees than necessary to a certain task, to make sure back up is in place.

Personnel controls use the natural tendencies of employees to control and/or motivate themselves. The implementation of personnel controls usually occurs through three major methods: selection and placement of employees, training, job design, and provision of necessary resources (Merchant et al., 2007). By selecting and placing the right kind of employees suitable to the job requirements, the probability that a job will be done properly may increase (Merchant, et al., 2007).

Cultural controls are helpful in stimulating mutual monitoring. This is a powerful form of group pressure in which the number of employees who deviate from the group norms and values is reduced (Merchant et al., 2007). A culture is a collection of shared traditions, norms, beliefs, values, ideologies, attitudes, and ways of behaving (Merchant et al., 2007). Managers use for instance codes of conduct and group rewards to shape and create an organizational culture.

In his paper, Ouchi (1979) divides control along two dimensions: the informational prerequisites, and the social prerequisites. The informational prerequisites are the informational requirements necessary to operate each control type. The social prerequisites are the social underpinnings necessary to operate each control type. With these dimensions, Ouchi (1979) arrives at three different control types; clan control, market control, and bureaucracy control. Chenhall (2003) treats clan controls as a more organic form of MCSs, and market and bureaucracy as a more mechanistic form of MCSs.
The following table shows the informational and social needs of the different types of control.

<table>
<thead>
<tr>
<th>Type of control</th>
<th>Social requirements</th>
<th>Informational requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market</td>
<td>Norm of reciprocity</td>
<td>Prices</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>Norm of reciprocity</td>
<td>Rules</td>
</tr>
<tr>
<td></td>
<td>Legitimate authority</td>
<td></td>
</tr>
<tr>
<td>Clan</td>
<td>Norm of reciprocity</td>
<td>Traditions</td>
</tr>
<tr>
<td></td>
<td>Legitimate authority</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shared values, beliefs</td>
<td></td>
</tr>
</tbody>
</table>

Table 4.1: Social and informational prerequisites of control (Ouchi, 1979)

A norm of reciprocity ascertains that one gets punished by everyone in the social system when one tries to cheat another. When legitimate authority is present in a control type, this means that a superior directs subordinates work activities and monitors performance. Shared values and beliefs are needed in a clan control as this type of control relies on a deep level of common understanding between members on how to behave within their social system. When market control prevails, prices are the informational requirements needed for the control system to work. In a market, all the information that is relevant for decision making is contained in the price. When a bureaucracy prevails, rules concerning behaviour and levels of production and output, are the informational requirements. Traditions are the informational requirements needed in a clan control. Information is then contained in rituals, stories, and ceremonies. The values and beliefs of the organization are reflected in these stories, rituals, and ceremonies. Generally, when the price condition of the market cannot be met, and the social requirements of the clan cannot be met; the bureaucracy becomes the preferred mode of control. The bureaucracy can survive in the widest range of organizations.

In another paper, Ouchi (1977) made a distinction between behavioural and output control. Behavioural control can be applied when the process of the transformation of inputs into outputs is known. When there is knowledge about this process, the superior can achieve control by watching and guiding the actions taken by their subordinates. In case of output control, the process of the transformation of inputs into outputs does not need to be known. A condition for this type of control is a reliable and valid measure of the outputs. Also, the output of the subordinate must be measurable and observable by the superior. These two forms of control along with their antecedent conditions can be combined into the following matrix:

<table>
<thead>
<tr>
<th>Knowledge of Transformation Process</th>
<th>Perfekt</th>
<th>Imperfect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of Output measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Behavioural Control or Output control</td>
<td>Output control</td>
</tr>
<tr>
<td>Low</td>
<td>Behavioural Control</td>
<td>Ritual</td>
</tr>
</tbody>
</table>

Table 4.2: Form of Control and their antecedent conditions (Ouchi, 1977)

When there is perfect knowledge of the transformation process, and a high availability of the output measures, the conditions for behaviour and output control have both been met. In case of imperfect knowledge of the transformation process and a high availability of the output measures, only the condition of output control has been met. When perfect knowledge of the transformation process and low availability of the output measures prevails, only the condition of behaviour control has been met. In case of both imperfect knowledge of the transformation process and low availability of the output measures, neither condition has been met. In this case only ritualized control can take place: all attempts of control that are made can be traced back to ceremony and rituals, rather than rational analysis of what has happened.
Narayanan et al. (2007), Sitkin et al. (2005), Ayers et al. (2001), and Gomez et al. (2005) distinguish between formal and informal control in their articles. Formal controls are written mechanisms initiated by management which can impact the chance of employees behaving in a desired way (Ayers et al., 2001). They can include the prescription of behaviour through procedures and written rules, decision making rules, explicit reward constructions and evaluation processes, standardization and planning (Narayanan et al., 2007; Sitkin et al., 2005; Ayers et al., 2001; Gomez et al., 2005). Informal controls are unwritten mechanisms initiated by employees that can impact the behaviours of members within an organization (Sitkin et al., 2005). This type of control originates from an organizational culture of shared norms and values and the socialization to these norms and values by the employees (Gomez et al., 2005). This may include the sharing of information, the development of common objectives, the development of trust between colleagues, shared traditions and norms, and participation in decision making (Narayanan et al., 2007; Sitkin et al., 2005; Ayers et al., 2001; Gomez et al., 2005).

Budgetary control is another form of management control which is often used within organizations. This type of control focuses on financial objectives. Budgetary control monitors performance against pre-established costs and revenue objectives. Incentives or sanctions are based on the extent of deviation on these pre-established costs and revenue objectives (Goold et al., 1990).

The role of MCSs in the formation and implementation of the organizations’ strategy has become more and more important, and has gained a greater interest in the literature (Langfield-Smith, 1997). The definition Schreyogg et al. (1987) use for strategic control is: "Strategic control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended". The goal of strategic control is to monitor strategic progress and to direct employees to ensure proper action that leads to the implementation of strategic plans. Goold et al. (1990) describe the planning process within organizations as having three phases: the settlement of strategic objectives, the planning for strategic implementation and operational planning. These three phases need to be integrated, and then lead to goals and controls that are consistent across the three phases. That way, the strategy of the organization can be traced back in control mechanisms across all three phases, and strategic controls are then established.

The following table gives a summation of all the types of management control that were mentioned in this paragraph. These various types of management control will form the basis on which further analysis in this thesis will take place.

<table>
<thead>
<tr>
<th>Author</th>
<th>Type of management control</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchant &amp; van der Stede (2007)</td>
<td>Results control</td>
<td>Employees are empowered to take actions that have the best results</td>
</tr>
<tr>
<td></td>
<td>Action control</td>
<td>Making sure that employees do or do not perform certain actions</td>
</tr>
<tr>
<td></td>
<td>Personnel control</td>
<td>Stimulating the natural tendencies of employees to control themselves</td>
</tr>
<tr>
<td></td>
<td>Cultural control</td>
<td>Stimulating mutual monitoring</td>
</tr>
<tr>
<td>Ouchi (1979)</td>
<td>Market</td>
<td>All information that is needed for decision making is contained in the prices</td>
</tr>
<tr>
<td></td>
<td>Bureaucracy</td>
<td>Rules are created about behaviour and about levels of production and output</td>
</tr>
<tr>
<td></td>
<td>Clan</td>
<td>Traditions and shared values and beliefs are requirements</td>
</tr>
</tbody>
</table>
This paragraph focused on several management control mechanisms that can exist within organizations. At the end of the paragraph, a summation has been given of these several types of management control. The goal of this paragraph was to complete the picture on MCSs, to demonstrate the breadth of management control illustrated in foregoing research, and to set the basis for further analysis in the rest of this thesis.

The next paragraph will elaborate on several types of MCSs. This paragraph will also complete the picture of MCSs and it will be used for further analysis in the rest of this thesis and for building a theoretical framework.

### 4.3 Types of management control systems

There are different types of MCSs. In this paragraph several of these types of MCSs will be addressed. The intention is to discuss a range of MCSs to show the breadth of MCSs and to complete the picture of MCSs. This paragraph will deepen the understanding of MCSs and will set the basis for further analysis and for building a theoretical framework in consequent chapters in this thesis.

**Total Quality Management (TQM)**

In the 1980s it was considered that quality was the key towards having a competitive advantage (Dictionary of Human Resource Management, 2001). TQM techniques make employees more quality conscious and more aware of the demands of customers (Dictionary of Human Resource Management, 2001). Consequently, TQM includes the management and control of quality within and throughout an organization (Bandyopadhyay et al., 2003). For TQM to be effective, seven factors are stressed (Bandyopadhyay et al., 2003): top management commitment, emphasizing customer satisfaction, product design and manufacturing for quality, continuous improvement, widespread education and training of employees, involvement and empowerment of employees, development and maintenance of an effective in house quality assurance system.

**Target Costing**

Target costing is a cost management technique to decrease the overall costs of a product over its entire life cycle (Nicolini et al., 2000). Target costing involves the establishment of concrete and highly visible cost targets for new products (Swenson et al., 2003). A target cost is the cost that is allowable for a product and is determined by subtracting the preferred profit margin from the target selling price of the product (Gopalakrishnan et al., 2007). Costs of products that are under or at this target cost are manufactured and sold, while costs of products that are above the target cost are abandoned or redesigned. Target costing is a process that is focused on managing and controlling the product-
development process. Six principles are inherent in target costing (Gopalakrishnan et al., 2007; Swenson et al., 2003): price-led costing, focus on the customer, focus on design of products and processes, cross-functional teams, reduction of life-cycle costs, and involvement of the value chain.

**Value Based Management**

Value creation is the main principle in Value Based Management (Koller, 1994). However, it is also focused on better decision making by using valuation as a performance metric and it is a decision making tool throughout all levels within the organization (Koller, 1994). Value Based Management addresses the link between a value creation mindset and the management processes and systems (Koller, 1994). A value creation mindset involves the awareness of managers that the ultimate financial goal is maximizing value and an analytical understanding of the performance variables that drive the value of an organization. The management processes and systems should motivate employees and managers to show behaviours that maximize the value of the organization. Each element alone is insufficient for Value Based Management to work, but taken together; a value creation mindset and management processes and systems can have a huge and sustained impact.

**Strategic Management Control Systems**

An important responsibility for management is to determine the organizations’ strategic direction and to ensure that all the resources are used to achieve the objectives of the company. More recently, MCSs are becoming more and more important in the formulation and implementation of the strategy (Nilsson, 2002). According to several writers, MCSs should be in line with the strategy (Langfield-Smith, 1997; Goold et al., 1990; Rajan, 1992; Nilsson, 2002). A strategic management control system has the objective to assist management in effectively arranging the most important resources available to a company to be able to follow the strategy set by management (Teall, 1992). When applying a strategic management control system, the probability that managers show behaviours that are desired by the owner is increased (Rajan, 1992). When an MCS is closely linked to strategy, this will give direction to employees, roles will be understood more clearly, and clarity will be given about the objectives of the organization (Burney et al., 2007). Consequently, the role expectations of the participants in the organization are congruent (Burney et al., 2007). In addition, linking MCSs to strategy facilitates decision making (Burney et al., 2007).

**Performance Measurement Systems**

Performance measurement is the process of quantifying action; measurement is the process of quantification while action leads to performance (Neely et al., 1995). Organizations achieve their goals by being more efficient and effective than their competitors (Neely et al., 1995). That is why Neely et al. (1995) add this dimension to their definition of Performance Measurement. The definition then becomes: ‘Performance measurement is the process of quantifying the efficiency and effectiveness of action’. A performance measure is a metric used to quantify the efficiency and/or effectiveness of actions. A Performance Measurement Systems is the set of metrics used to quantify the efficiency and effectiveness of actions. The PMS consists of various individual performance measures. The central role of the performance measurement process is to give regular and valid data about performance outcomes (Mulvaney et al., 2006). Performance measurement is mostly used for two reasons (Neely et al., 1995):

- To determine the position of the organisation and to consider what should be improved
- To influence behaviours of employees in the right direction

A lot of research on how to build performance measurement systems has taken place. Some authors argue that a framework should be built around performance measurement, like Kaplan and Norton’s (1993, 1992) balanced scorecard. The Balanced Score Card translates the strategy and the objectives of an organization into a set of performance measures. This technique complements financial measures with operational measures, and is consequently based on four perspectives from which managers should choose measures; customer perspective, internal business perspective, innovation and learning perspective and the financial perspective. Other authors provide criteria for performance measurement system design. For example, Goberson (1985) suggest that the following guidelines should be taken into account when selecting a preferred set of performance criteria: performance criteria should be
taken from the company’s objectives; the purpose of each performance criterion should be clear; objective performance criteria are preferable to subjective ones.

The following table gives a summation of the types of MCSs that were mentioned in this paragraph. These various types of MCSs will form the basis on which further analysis in this thesis will take place.

<table>
<thead>
<tr>
<th>Author</th>
<th>Type of MCS</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicolini et al. (2000) &amp; Swenson et al. (2003) &amp; Gopalakrishnan et al. (2007)</td>
<td>Target Costing</td>
<td>Cost management technique to decrease the overall costs of a product over its entire life cycle</td>
</tr>
<tr>
<td>Koller (1994)</td>
<td>Value Based Management</td>
<td>Focuses on providing all employees in an organization the right types of information and incentives to have them make value creation decisions</td>
</tr>
<tr>
<td>Nilsson (2002) &amp; Goold et al. (1990) &amp; Rajan (1992) &amp; Teall (1992) &amp; Langfield-Smith (1997)</td>
<td>Strategic Management Control System</td>
<td>To assist management in effectively arranging the most important resources available to a company to be able to follow the strategy set by management</td>
</tr>
<tr>
<td>Neely et al. (1995) &amp; Kaplan et al. (1992, 1993) &amp; Globerson (1985) &amp; Mulvaney (2006)</td>
<td>Performance Measurement System</td>
<td>The set of metrics used to quantify the efficiency and effectiveness of actions that should lead to desired results</td>
</tr>
</tbody>
</table>

Table 4.4: Types of Management Control Systems

This paragraph focused on several widespread MCSs that have appeared in the literature and that are used within organizations. At the end of the paragraph, a summation was given of these several types of MCSs. The goal of this paragraph was to complete the picture on MCSs, and to set the basis for further analysis in the rest of this thesis.

The next chapter will analyse the two chapters on accountability and MCSs. By analyzing, the chapter will link the accountability and the MCSs concepts to each other to illustrate how MCSs can improve the sense of accountability within an organization, and it will set the basis for building a theoretical framework in the sixth chapter.
5 Analysis

In this chapter, a link will be established between the two concepts that were described in the previous chapters: accountability and management control systems. Those two chapters will be analysed and it will be described how management control systems can improve the sense of accountability within organizations. The goal of this chapter is to clearly describe how management control systems can positively influence the sense of accountability and to set the basis for a theoretical framework. This chapter will answer sub question 3: What is the relationship between a Management Control System and accountability?

5.1 Accountability and Management Control Systems

When looking at the factors that influence the sense of accountability within an organization, we will find in this paragraph that MCSs can contribute to improving this sense of accountability. In this paragraph, the factors influencing the sense of accountability will be shortly discussed after which the link between accountability and MCSs will be established.

The first factor is consistency of employees’ perceptions of accountability (Gelfand et al., 2004). This means that different employees have the same perceptions of accountability; concerning to whom everyone is accountable and what it is everyone is accountable for. This way, no confusion within the organization exists and employees will have the ability to have actions to answer for one’s actions or inaction and they can be held responsible for their consequences (Gelfand et al., 2004).

The second factor, regular face-to-face meetings, promotes a greater sense of accountability towards subordinates. The subordinate will consequently show greater feelings of accountability (Klimoski et al., 2009).

The third factor, is for superiors to express their views carefully to their subordinates (Roch et al., 2007). As employees adjust their own views towards the views of their superiors this should lead to employees performing desired behaviors. This should make it clear to employees what actions they have to perform and consequently what exactly they are accountable for.

The fourth factor, establishing a dialogue between superior and subordinate, should stimulate the sense of accountability employees have, by making the accountability structures within the organization more transparent and visible (Roberts, 2002; Boyne, 2002). Participants in a dialogue treat each other equal. This makes it easier for subordinates to express their views on the accountability structures within an organization. In addition, superiors can express their views during a dialogue. This clarifies for employees why they are accountable, to whom they are accountable and for what tasks they are accountable.

The fifth factor is to set up clear accountability measures. Together with the sixth factor, communication of key goals, these factors should make the accountability structures within an organization clear to everyone (Negotiation, 2009). The accountability measures should be set up based on comprehensible guidelines and the correct kinds of rewards and consequences to improve performance. Communication of key goals should make employees focus on the real issues. Combining these factors should clarify for employees what it is they are accountable for and what goals they have to achieve and what they will be evaluated upon.

The seventh factor, clearly defined roles, is important for subordinates to know exactly what actions they should perform, what it is they are accountable for, to whom they are accountable, and also for superiors to know which subordinate to hold accountable (Roberts et al., 1983).
The eighth factor, to demonstrate accountability on a high level, should create commitment towards accountability throughout the organization (Mulvaney et al., 2006). This shows the willingness and ability of superiors to make decisions on the basis of results, and it will consequently inspire employees to do so. This is important in the process of building a culture of accountability.

Most factors that are mentioned come down to having clear accountability structures in place, and influencing the behaviors of employees. Except for the second and ninth factor, which both have the objective of creating commitment towards accountability within an organization, the rest of the factors recognize a central role for one concept with regard to accountability: information.

Analyzing the foregoing factors, it seems that the provision of information, making sure that everyone has the right information in place for conducting their jobs, is important in the process of having employees acting, and being accountable. Through the provision of information, the accountability structures within an organization should become clear to all employees. As a result, employees will know exactly what it is they and others are being held accountable for, to whom they and others are accountable and what actions they and others have to perform. Also for superiors, it is important to have the right information in place. For instance in the process of defining the specific roles and assigning accountability to those roles for specific employees. In addition, according to Boyne et al. (2002), information is of critical importance for the effective operation of accountability and previous literature also recognizes the central role of information on accountability.

Management control includes all the systems managers use to ensure that they have all the necessary information in place to make right decisions and to be able to control the organization. The systems managers use are Management Control Systems. This means that MCSs provide managers with all types of information they need to keep the organization in control. The necessity of applying MCSs arises from four categories of causes (Merchant et al., 2007). These categories are: lack of direction, motivational problems, personal limitations and the ability for management to intervene.

Especially the first category, lack of direction, is important when organizations want to improve their sense of accountability. MCSs inform employees about how they can contribute to the fulfillment of the organization’s objectives, and consequently it becomes clearer to employees how the organization wants them to act, what they are accountable for and to whom they are accountable.

The second category, motivational problems, can be important when organizations want to improve their sense of accountability as well. Employees may become unmotivated because they do not exactly know what they are accountable for and what actions they have to perform. MCSs can provide the information employees need.

Additionally, the third category, personal limitations, is important when organizations want to improve their sense of accountability. In this case, employees know the direction of the organization and they are motivated, but they are unable to perform well because of certain personal limitations. These limitations can be caused by a lack of information necessary for the job to be performed. There might, for instance, not be enough information about what the employee is accountable for. MCSs can be employed to ensure that employees have all the right information they need to do their jobs well.

The last category, the ability for management to intervene, can be employed for improving accountability as well. MCSs provide management with all the information they need. This way, management can observe whether everyone is behaving and working desirably, and they can find out when certain accountability structures are not working appropriately and they can consequently intervene.

Managers should thus have the right information at hand to make sure that they can inform all employees about the right accountability structures and to direct the behaviors of all employees. As a result, there must be information in place to base decisions on what desired behaviors are, what preferable actions are, which employees should take which actions, which subordinate should be
accountable to which superior, and how the organization is performing. These are types of information that an MCS is able to provide managers with. MCSs can thus improve the sense of accountability within an organization, because they can provide managers with all relevant information needed to make sure that the accountability structures are clear to everyone within an organization. In addition, existing literature addresses the link between accountability and MCSs. For instance, St. Laurent (2007), concludes that management controls are needed in an organization to improve the sense of accountability. Broadbent et al. (1999) highlight in their article that the need to provide accountability is an important feature of MCSs. Also, Narayanan et al. (2007) address that MCSs are an essential part of enhancing accountability within an organization.

This paragraph established the link between MCSs and accountability. The next paragraph will focus upon the several types of accountability and types of management control.

5.2 Types of accountability linked to types of management control

In this paragraph, the types of accountability and management control will be linked to each other to show which management control type can best control a certain accountability type. Finally, it will be discussed which types of MCSs and accountability this thesis will focus upon. This paragraph sets the basis for the theoretical framework.

Formal accountability, the explicit standard for performance, can be linked to formal control, written control mechanisms initiated by management. An employee is formally accountable for certain actions and these behaviours are controlled by formally written control mechanisms.

Informal accountability, the implicit standard for performance, can be connected to informal control, unwritten control mechanisms initiated by employees. This type of accountability is harder to control than formal accountability because nothing is explicitly written down, and it arises from mores and culture. Informal control originates from the organization’s culture and norms and values as well and is therefore the most suitable mechanism for controlling this type of accountability.

Socializing forms of accountability take place in the informal sphere of an organization and highlights the interdependence of one self with other individuals. As this type of accountability highlights relationships within organizations, this type can best be controlled with cultural controls. Cultural controls stimulate mutual monitoring. Peers are meant to monitor and control each other within this type of control. This type of control therefore seems to be best able to control the socializing forms of accountability.

Individualizing forms of accountability take place in the formal sphere of an organization and produces an individualized sense of one-self. For this type of accountability, no specific type of control seems to be the only one suitable. Several control mechanisms are formal and can control employees with an individualized sense of one-selves. The only types of control that are not suitable for controlling this type of accountability are: cultural control, clan control, ritual control, and informal control. These types of control either take place in the informal sphere and/or highlight relationships within organizations.

Managerial accountability is the kind of accountability where subordinates are accountable to superiors. In the paragraph on management control, all types of control described are meant to cover this type of accountability.

Legal accountability is accountability towards legal procedures. There is no management control type that focuses on this form of accountability. All types of control could, in theory, be able to control this type of accountability if there is focus on conforming towards legal procedures within an organization and in the control mechanisms.
Professional accountability is accountability where employees feel accountable to their peers. When employees feel accountable to their peers, the most appropriate would be to let peers monitor and control each other. Cultural control inhibits mutual monitoring and is therefore most suitable for controlling this type of accountability.

Consumer accountability addresses accountability where consumers feel accountable towards their customers. As with legal accountability, no management control type (described in this thesis) focuses on this form of accountability. All management control types could in theory be able to control this type of accountability if there is focus on consumers within an organization and within the control mechanisms.

Internal accountability addresses accountability within organizations. External accountability means that organizations are accountable towards external organizations/institutions. These types of accountability are not specifically addressed by one management control type either. As with consumer and legal accountability, all management control types could control these types of accountability.

Bureaucratic accountability is high internal control based on supervision and hierarchism. The management control type that is specifically focused on this type of accountability is bureaucracy control, where rules are created about behaviour and about levels of production and output. Within bureaucratic accountability, clearly stated rules and regulations about preferred behaviour are prescribed; these are addressed in the bureaucracy management control type.

Professional accountability in this sense means that there is low internal control and the placement of control is delegated to subordinates. This form coincides with personnel control where the natural tendencies of subordinates to control themselves are stimulated.

Political and legal accountability coincide with external and legal accountability already described before in this paragraph, and will not be handled here again.

Outcome accountability entails that employees are being held accountable for their results. This type of accountability connects to results and output control. With results control, employees are empowered to take actions that lead to the best results, and they are ultimately evaluated on the basis of the results of their actions. This means that they are accountable for their results. Output control involves the availability of output measures to be able to evaluate employees on the basis of their results.

In case of process accountability, employees are being held accountable for their actions. This type of accountability can best be controlled by action- or behavioural control. Action control involves guaranteeing that employees do or do not perform certain actions. Ultimately, employees are evaluated on the basis of these actions. Behavioural control entails that the transformation process of input into output is known. Both these control types monitor and guide actions of subordinates and ultimately, these actions are evaluated by superiors.

Internal accountability here means that individuals show certain behaviours because of commitment to one self. In this case, not much is needed to control employees since they are already motivated and committed to show certain behaviours. Personnel control would be a suitable mechanism for controlling this type of accountability. With personnel control, employees are stimulated to control and motivate themselves. In case of internal accountability this would be appropriate as employees are already motivated and committed to show certain behaviours.

External accountability in this case involves the performing of certain behaviours by employees because of commitment of individuals to other people. Employees feel obliged to external parties, and as a consequence need more external pressure to perform in the way that managers want them to perform. Except for personnel control, all the types of control can be suitable for this type of
Accountability because they can exert external pressure to employees to have them perform in a desired way.

Specific accountability involves that employees have to show specific behaviours. Generalized accountability involves showing a broad range of behaviours by employees. These types of accountability can best be controlled by action control. This type of control guarantees that employees do or do not perform certain actions. Consequently, this should lead to employees showing preferred behaviours, either specific or generalized.

Direction-based accountability involves the planning of the strategic direction of the organization and the definition of specific goals. This should ensure that, within the organization, actions are taken that lead to the implementation of the strategy, and that employees know which direction to take. This type of accountability can best be controlled with strategic control. The goal of strategic control is to monitor strategic progress and to direct employees to ensure proper action that leads to the implementation of strategic plans.

Performance-based accountability entails the specification of output and outcome measures to check whether certain results have been met. This should ensure that employees take the right actions that lead to the right results. This type of accountability can best be controlled by action and/or results control. The actions and/or results can be controlled and directed with these control types to guarantee that employees take the proper actions and achieve the right results, to ultimately implement the strategy.

Procedure-based accountability involves constraining and guiding employees’ behaviour into the right direction by the establishment of rules, guidelines and regulations. This form of accountability connects with formal control. Formal control involves written control mechanisms initiated by management. With this type of control, rules, guidelines and regulations to constrain and guide employees’ behaviour are formally written down by management.

The definitions that are used for accountability and MCSs both have a focus on the achievement of objectives and strategy. The definition used for accountability is: ‘a system of management which delegates certain responsibilities to employees and, in turn, holds these employees accountable for the achievement of predetermined objectives within their area of responsibility’ (Forchheimer, 1972). In this thesis, accountability should be improved. The ultimate intention of improving accountability in this thesis, is to increase performance (the achievement of targets). Targets are deducted from the general objectives of an organization, and should therefore be in line with the organizations’ objectives.

The definition used for MCSs is: the organization’s set of procedures and devices for monitoring, directing, evaluating, and compensating its employees (Anderson et al., 1987), used to ensure that the behaviours and decisions of their employees are consistent with the organization’s objectives and strategies (Malmi et al. 2008).

Looking at the accountability types and matching management control types that were discussed in this paragraph, the types that are most appropriate to focus on in this thesis are direction-based accountability controlled by strategic control, performance-based accountability controlled by action and/or results control, and procedure-based accountability controlled by formal control.

Direction-based accountability together with strategic control should lead to the implementation of the strategy, and this should offer guidance and direction to the employees. Performance-based accountability together with action and/or results control lead to employees taking the right actions to achieve the right results. Procedure-based accountability together with formal control support the other two types of accountability, by setting up rules, guidelines and regulations to be able to constrain and guide employees’ behaviour into the right direction. These types of accountability and MCSs focus on
guaranteeing that right actions are taken that lead to the best results to ultimately implement the strategy. A focus here is on achievement of objectives and strategy as well.

The MCSs that will be focused upon in this thesis are Strategic Management Control Systems and Performance Measurement Systems. Strategic Management Control Systems help the organization in attaining the objectives and ultimately the strategy, this seamlessly connects to direction-based accountability and strategic control. Performance Measurement Systems measure the performance of employees. These systems help the organization in influencing the behaviours of employees to guarantee they take the right actions that lead to desired results. This connects to performance-based accountability and action and results control. The results of this thesis will be a formally written down framework on how to use MCS to improve accountability, together with rules and regulations on how to use the framework. This connects to procedure-based accountability and formal control.

This paragraph linked certain types of accountability can to certain types of management control. In addition, the basis for the theoretical framework has been set by explaining which types of accountability, which types of management control and which types of MCSs this thesis will focus upon. The following figure gives a simple and clear overview on which types of accountability and management control (systems) this thesis will focus.

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**Figure 5.1: Relations between management control (systems) types and accountability types**

Strategic Management Control Systems focus on strategic control by monitoring strategic progress and directing employees to ensure proper action that leads to the implementation of strategic plans. This should lead to improved direction based accountability, because this type of accountability focuses on behavior that leads to the implementations of the strategy, and on guaranteeing that all employees know the direction of the organization.

Performance Measurement Systems focus on action and results control by measuring and monitoring performance and thereby influencing the behaviors of employees to guarantee they take the right actions that lead to desired results. This should lead to improved performance based accountability, because this type of accountability focuses on specific behaviors that lead to the right actions and the right results.
A formal Management Control System is the framework that will be built in this thesis. This framework focuses on formal control; written control mechanisms. This leads to improved procedure-based accountability, which involves constraining and guiding employees’ behavior by the establishment of rules and guidelines. The framework that will be built comes along with rules and guidelines on how to use this framework.

The next chapter will focus on Strategic Management Control Systems and Performance Measurement Systems. The goal of that chapter is to build a theoretical framework of these types of MCSs. It will be shown that a specific combination of Strategic Management Control Systems and Performance Measurement Systems will, theoretically, lead to improved accountability.
6 Theoretical framework

In this chapter, a theoretical framework will be built. As was discussed in the previous chapter, Strategic Management Control Systems and Performance Measurement Systems will be the MCSs that this thesis will focus upon. First, the content of Strategic Management Control Systems and Performance Measurement Systems will be shortly repeated. Second, a short elaboration of the factors that influence accountability will be given, followed by theories that relate to these factors. The goal of this chapter is to build a theoretical framework that can answer the fourth sub question: How can a Management Control System improve accountability and consequently performance?

6.1 Strategic Management Control Systems and Performance Measurement Systems

This paragraph will shortly discuss the MCSs this thesis will focus upon. The MCSs that will be discussed, will be part of the theoretical framework.

The role of MCS in the formation and implementation of the strategy of the organization, has become more and more important over the years (Langfield-Smith, 1997). Strategic control arose out of practical experience. Organizations often have difficulties to respond in a timely manner to planning failures and unexpected developments, because of the lack of information about the ongoing validity of the chosen strategy (Schreyogg et al., 1987). Strategic control is the task for management to ensure that the strategies are implemented as planned (Muralidharan, 1997). The goal of strategic control is to monitor strategic progress and to direct employees to ensure proper action that leads to the implementation of strategic plans (Schreyogg et al., 1987). A Strategic Management Control System (SMCS) is the formal control system that guarantees that strategic plans are being translated into action. When a SMCS is used in an organization, it should be possible to trace the organization’s strategy back in the control mechanisms. SMCSs increase the probability that managers show behaviours that are desired by the owner, and it gives direction to employees by clarifying the objectives of the organization (Rajan, 1992).

Performance measurement is the process of quantifying the efficiency and effectiveness of action (Neely et al., 1995). Measurement can then be seen as the process of quantification while action leads to performance. A performance measure is a metric that is used for quantifying the efficiency and/or effectiveness of the actions made, while a performance measurement system is the whole set of metrics used to quantify the efficiency and/or effectiveness of the actions. Various individual performance measures are incorporated in performance measurement systems. Regular and valid data about the performance outcomes are the results of the entire performance measurement process (Mulvaney et al., 2006). The reasons for using a performance measurement system (PMS) are twofold. The first is to determine the position of the organization and to consider what should be improved. The second reason is to influence behaviours of employees (Neely et al., 1995).

Now SMCSs and PMSs have shortly been repeated and it is clear what they focus upon, and what their goals are, the second paragraph will shortly deal with the factors that are important in improving accountability.

6.2 Factors influencing accountability

In this paragraph, it will shortly be repeated what factors can influence accountability positively. These are the factors the framework has to take into account to be able to improve the sense of accountability within an organization.

For the sense of accountability to improve, it is important that there is consistency of the perceptions employees have of accountability (Gelfand et al., 2004). Within organizations, several employees may have considerable variable perceptions of accountability. This will consequently lead to conflict and
confusion; it will not be clear to employees what they are accountable for and what roles they have to perform.

Literature suggests that situations in which a supervisor regularly has face-to-face meetings with subordinate about performance, tasks and responsibilities, will promote a greater sense of accountability towards that subordinate (Klimoski et al., 2009).

Superiors need to express their views to subordinates, because subordinates adjust their own views towards the views of their superiors (Roch et al., 2007). That way, employees can better provide the type of response that the superior wants, and they know better what they are accountable for, and what kind of actions they should take (Roch et al., 2007).

In their articles, Roberts (2002), and Boyne (2002) suggest that superiors should express their views to their subordinates through the means of having a dialogue. A dialogue will stimulate the sense of accountability employees have, because a dialogue clarifies the accountability concept by making the concept more transparent and visible.

Clear accountability measures should be set up, and the key goals of the organization should be clearly communicated (Negotiation, 2009). Employees will then know exactly what it is they are accountable for, what goals they have to achieve and what they will be evaluated upon.

For subordinates and superiors, roles should be clearly defined. Because of the complex interdependence of action taking within organizations, it is often hard for superiors to determine who is responsible for certain actions, and consequently who should be held accountable to which actions (Roberts et al., 1983). For subordinates roles should be clearly defined so they will know exactly what they are accountable for.

Lastly, accountability should be demonstrated on a high level, as this inspires employees to do the same (Mulvaney et al., 2006). This should ultimately lead to a culture of accountability.

Most of these factors implicate that it is important for employees to have a clear understanding of their role, the tasks they have to accomplish, and the actions they have to perform. If that understanding is present, they will have a better understanding of the accountability structures within the organization.

6.3 Framework

Accountability and management control (systems) are, as separate concepts, well grounded in the literature. So far, this thesis, tried to give a complete picture on these separate concepts. The fact that there is a relationship between accountability and management control has well been established in the literature (St. Laurent, 2007; Broadbent et al., 1999; Narayanan et al., 2007). However, what is missing from the literature, is how a MCS can improve accountability.

This paragraph will link the accountability and management control concepts in such a way that it will become clear how a management control system can improve accountability. As was analyzed in the preceding chapter, this thesis will focus on strategic control, action/results control and formal control; strategic management control systems, and performance measurement systems; direction based accountability, performance based accountability, and procedure based accountability (see figure 5.1). In this paragraph, a framework will be build which shows how strategic management control systems, along with performance measurement systems can improve direction based accountability, performance based accountability, and procedure based accountability.

In this paragraph, two theories will be discussed and combined. Theoretically, these theories can improve the sense of direction based-, performance based-, and procedure based accountability within organizations.
6.3.1 Burney and Widener (2007)

The theory of Burney and Widener (2007) combines Strategic Management Control Systems and Performance Measurement Systems. As will be shown in this paragraph, Strategic Management Control Systems and Performance Measurement Systems together, focus on the factors that are important in improving the sense of direction based-, and performance based accountability within an organization.

Burney and Widener (2007) combine Strategic Management Control Systems and Performance Measurement systems into Strategic Performance Measurement Systems (SPMS). SPMS ‘translate business strategies into deliverable results. Strategic performance measurement systems combine financial, strategic, and operating business measures to gauge how well a company meets its targets’ (Burney et al., 2007). The strategy of the organization is clearly captured in the control system here, which represents the SMCS. The financial and operating business measures are incorporated to represent the PMS. An SPMS is thus linked to the organization’s strategy (SMCS) and includes business measures to gauge the firm’s performance (PMS). An objective of a SPMS is that it motivates employees to perform actions that are consistent with the strategy of the organization by assigning clear and specific goals and feedback information to those employees (Burney et al., 2007).

Burney and Widener (2007) did research on the link between SPMS and job relevant information, role ambiguity, and role conflict.

Job relevant information is the extent to which the information that is essential for employees to achieve job-related tasks is available. Job-relevant information is also referred to as information which facilitates decision making (Kren, 1992). Burney and Widener (2007) found a positive link between SPMS and job-relevant information, as the SPMS ‘clarifies and communicates strategic objectives’ and provides ‘relevant information about the performance drivers that must be managed in order to achieve a business unit’s financial goal(s)’ (Webb, 2004, 929). In addition, a SPMS provides employees with feedback information on progress related to objectives, and it contains clear and specific objectives for managers (Burney et al., 2007). Therefore, the content of a SPMS provides employees with job-relevant information helpful for decision-making.

Role ambiguity exists when there is an unclear understanding of the role; employees do not have sufficient information to show the most effective job behaviors, or there is an unclear understanding about duties, authority, and responsibilities (Daniels et al., 1999; Tubre et al., 2000). Role ambiguity has also been described as the gap between the information needed to properly fulfill a job and the information that really is available. Burney and Widener (2007) found a negative link between SPMS and role ambiguity, as an SPMS ‘is intended to improve communication about the specific actions that a manager should pursue to achieve organizational objectives, motivate managers to perform in accordance with these objectives, and provide feedback regarding the achievement of these objectives’. Hence, the content of a SPMS provides employees with improved communication including more consistent and clear information about job expectations. According to goal-setting theory; having specific goals makes it understandable to an employee what he is supposed to do (Latham et al., 1979). In addition, the goals that are included in an SPMS are formal; they are communicated and laid down in writing. The formalization of goals reduces role ambiguity, because this type of communication reduces uncertainty for employees by reducing role ambiguity (Burney et al., 2007). Rizzo et al. (1970) provide empirical evidence for this relationship. A SPMS thus provides employees with a written communiqué that includes expectations regarding the strategic goals, and therefore clarifies the employee’s role.

Job relevant information is negatively associated with role ambiguity as well (Burney et al., 2007). When job relevant information is available, an employee has information at hand to achieve job related tasks. Consequently, this will reduce the extent to which there is an unclear understanding of the employee’s role. Rizzo et al. (1990) provide evidence for this relationship as well.
Role conflict exists when there are incongruent role expectations; employees are not able to properly perform job expectations because of incompatible demands (Rizzo et al., 1970). Several people within the organization can have different views of what the exact role of a specific employee is; the employee can therefore receive different competing requests (i.e. enhancing quality as opposed to decreasing costs). These competing messages can cause role conflict for the employee. Burney and Widener (2007) found a negative link between SPMS and role conflict, because there must be consensus on the firm’s strategy and objectives when designing a SPMS. This shared understanding should lead to reduced conflicting requests (when the overall strategy and objectives are clear, there will not be competing messages such as enhancing quality as opposed to decreasing costs), and consequently, reduced role conflict.

Job relevant information is negatively associated with role conflict as well (Burney et al., 2007). When there is enough information available for a shared understanding on how a job should be accomplished, there will be less role conflict. In addition, Rizzo et al. (1990) provide evidence for this relationship.

The described relationship between SPMS, job relevant information, role ambiguity and role conflict is shown in the following model:

The theory of Burney and Widener (2007) seems to be suitable for improving accountability. When taking into account the factors that influence accountability, it can be seen that they almost all come down to having clear accountability structures in place. For employees, it is necessary to have a clear understanding of what their role is and which tasks they have to perform. This will consequently lead to a better understanding of what it is they are accountable for. It is important for all accountability types to have clear accountability structures in place. However, a SPMS is specifically focused on improving direction based- and performance based accountability. It is imperative to note that also for these types of accountability to improve, it is necessary to have clear accountability structures in place, and thus it is important to focus on the factors that influence accountability.

Burney and Widener (2007) focus on the element of creating a better understanding of an employee’s role. SPMSs provide job-relevant information, and SPMSs together with job-relevant information lead to reduced role ambiguity and role conflict. This means that employees are facilitated in making decisions (job-relevant information) and that they will have a better understanding of their role (reduced role ambiguity) and a better understanding of each others role (reduced role conflict). This is exactly what is needed for accountability to improve; a good understanding of one’s and others’ role within the organization to have a good understanding of accountability structures.

Looking at the separate factors that improve all types of accountability, we will see that the theory of Burney and Widener (2007) takes most of these factors into account.
For improved accountability it is important that there is consistency of the perceptions employees have of accountability (Gelfand et al., 2004). This factor is addressed by reduced role conflict. Strategic Performance Measurement Systems reduce role conflict; there will be more congruent role expectations. Consequently, employees will have more consistent perceptions of accountability structures within the organization.

Also, communication of key goals is important when improving accountability (Negotiation, 2009). Through an SPMS, the objectives and the strategy, can be communicated to employees. This increases job-relevant information and reduces role ambiguity, which will consequently lead to a better understanding of the role and a better understanding of the accountability structures.

In addition, clear accountability measures should be set up to improve accountability (Negotiation, 2009). A SPMS takes this factor into account, because it incorporates strategic performance measures. Employees will be provided with clear measures about what they are accountable for.

Clearly defined roles is another important factor when trying to improve accountability (Roberts et al., 1983). This factor is addressed by reduced role ambiguity and reduced role conflict. SPMSs reduce role ambiguity and role conflict. Consequently, there will be a better understanding of the role, and there will be a better understanding of each others role within the organization, which will lead to less competing requests, and consequently less confusion about accountability structures.

Furthermore, face-to-face meetings, a dialogue, and the communication of superiors’ own views on accountability are important factors when improving accountability. These factors are addressed by the theory of Simons (1995), which will be discussed later in this paragraph.

Finally, it is important to demonstrate accountability on a high level, as this inspires employees to do the same. This factor is not addressed by the theory of Burney and Widener, but rather focuses on establishing a culture of accountability. Therefore, this is a responsibility of management to incorporate in their daily occupations.

6.3.2 Simons (1995)

As will follow in this paragraph, Simons’ (1995) theory focuses on strategic control, which makes his theory suitable for this thesis. In addition, Tuomela (2005) found that Simons’ (1995) four levers of control can well be combined with SPMSs. The four levers of control serve to strengthen the use of an SPMS. In addition, Simons (1995) addresses a few factors that influence accountability that have not been addressed by the theory of Burney and Widener. For these reasons, the theory of Simons (1995) will be used in combination with the theory of Burney and Widener (2007).

According to Simons (1995), the tools for achieving optimal control are at hand. Optimal control can be created by using, what he calls, the four levers of control: diagnostic control systems, interactive control systems, boundary, and beliefs systems. The four levers of control will next be discussed.

Diagnostic Control Systems
These systems are used to monitor goals and profitability and to measure progress toward objectives. Managers measure the actual performance regularly and then compare that performance to preset standards of performance. Diagnostic control systems on their own however, are not able to ensure effective control. They create a high pressuring environment which can lead to control failures. The risk exists that empowered employees are held accountable for high performance goals and will consequently do everything to reach the targets (e.g. changing their data on false terms).

In a study conducted by Simons, he found that CEO’s established challenging goals for managers and increased the rewards and punishments related to success and failure in reaching those goals. Because of the increased pressure, several managers manipulated financial data by producing false accounting numbers to enhance their reported performance. The burden for managers to constantly monitor
employees is eliminated through the diagnostic control systems. However, negative side effects, control failures, can exist in relation to these control systems. This potential for control failures as the goals are raised and employees’ rewards are at risk emphasizes the need for managers to think about the three other essential levers of control.

**Beliefs Systems**
Beliefs systems contain the articulation of values and organization’s direction that senior managers want their employees to embrace. They are supposed to set the minds of all employees into one direction. The most important purpose of beliefs systems is to inspire and promote commitment to an organization’s core values. For the statements to actually inspire and attain commitment, employees have to see their managers behave according to the statements and see that the beliefs statements represent deeply rooted values.

As today’s organizations are larger and more decentralised, companies need beliefs systems to guarantee that employees have a clear and consistent understanding of the core values of the business and their place and role within the business. Next to giving direction to employees, belief systems encourage employees to create new opportunities. When employees have a clear understanding of the core values and the organization’s purpose, they know how they can contribute in a way that can make a difference. As decision making is more and more decentralised, employees from the entire organization need to understand the purpose and mission of an organization.

**Boundary Systems**
Boundary systems contain the boundaries of an organization. In modern organizations the boundaries are often stated in standards of ethical behaviour or codes of conduct. Telling people what not to do leads to innovation within clearly defined limits.

Because of temptation or a high pressuring work environment, people sometimes choose to bend the rules to attain targets. Using boundary systems correctly ensures that people know exactly what they cannot do, and consequently, what they can do; they provide direction on how to behave. In businesses where reputation is built on trust, boundary systems are especially important as misbehaving employees could damage the reputation. However, the benefits of establishing strict boundaries are not always apparent to senior managers. That is often the reason codes of conduct are established after questionable behaviour, when a reputation can already be damaged.

When beliefs systems and boundary systems coexist in an organization, they create a dynamic tension between commitment and punishment. Combined, they create direction for employees, they motivate employees, and they protect the company against potentially damaging opportunistic behaviours.

**Interactive Control Systems**
Interactive control systems are the systems that managers use to involve themselves in the decisions that are made by their subordinates, and to discuss new important information. That way, managers can participate in decision making and direct attention to the key issues. A decision of a senior manager to use/discuss certain information interactively sends a signal to the rest of the company about what is found important. By using control systems interactively, there will be an open organizational dialogue to encourage learning. Interactive control systems are different from diagnostic control system in four ways. First, interactive control systems focus on continuously changing information that has been identified as potentially strategic. Second, the information used interactively is important enough to demand regular attention from all employees. Third, the information can best be discussed and used in interactive face-to-face meetings. Fourth, interactive control systems work as a catalyst for a continuous discussion about underlying assumptions, actions, and tasks. By using control systems interactively, there will be an open organizational dialogue.

The theory of Simons (1995) focuses on strategic control. The beliefs systems are used to communicate core values that are connected to business strategy. The boundary systems are used to decrease the risks by setting limits to strategically undesired behaviours. The diagnostic control
systems ensure that the critical success factors are communicated and monitored. The interactive control systems are used to discuss strategic uncertainties. The focus on strategic control makes this theory suitable for the theoretical framework in this thesis.

Tuomela (2005) found that the four levers of control can well be combined with Strategic Performance Measurement Systems. He performed a case study in which is shown that a SPMS can be connected to all the four levers of strategic control. An SPMS can be used both interactively and diagnostically, while beliefs and boundary systems can provide extra focus and direction to employees. The four levers of control thereby serve to strengthen the use of an SPMS.

Looking at the four levers of control in relation to improving all types of accountability, we will find that the four levers have a positive impact on accountability. Consequently, direction based-, performance based-, and procedure based accountability can be influenced by the four levers of control as well.

The diagnostic control system is the formal control system that can be used in an organization. In this thesis, this will be the SPMS. The SPMS is used to monitor goals and profitability and to measure progress toward objectives A SPMS can have a positive impact on the sense of accountability within an organization, as was described before.

The interactive control system addresses a few factors that can influence accountability positively. Those factors are, introducing face-to-face meetings, establishing a dialogue, and the possibility of communicating superiors’ views on accountability. These factors all focus on interactivity between subordinates and superiors, it is thus important that this is incorporated in the process of improving accountability.

The beliefs system and the boundary system both help in creating extra focus and direction for employees. These systems explain to employees what they should and should not do when performing their jobs. This clarifies the employees’ role, tasks and actions even more. Consequently, the accountability structures will become clearer.

6.3.3 The framework

The following framework combines Simons’ (1995) four levers of control with the framework of Burney et al. (2007), and with the concept accountability. This framework focuses on the types of accountability and types of management control (systems) mentioned in figure 5.2; strategic control, and results/action control, and formal control; strategic management control systems, performance measurement systems, and a formal management control system; direction based accountability, performance based accountability, and procedure based accountability.
Strategic Management Control Systems, and Performance Measurement Systems are combined into Strategic Performance Measurement Systems (SPMS). This MCS focuses on strategic and results and action control; a SMCS focuses on strategic control, and a PMS focuses on results and action control. In addition, the SPMS improves direction based accountability, and performance based accountability; since we found that a SMCS improves direction based accountability, and a PMS improves performance based accountability. This framework is a formal framework and thereby focuses on formal control; written control mechanisms. A SPMS itself does not improve procedure based accountability, therefore this concept is not incorporated in this framework. However, because this is a formal framework, procedure based accountability will be improved. Procedure-based accountability involves constraining and guiding employees’ behaviour by the establishment of rules and guidelines. Formal control involves written control mechanisms initiated by management. This formal MCS contains rules and guidelines to constrain and guide employees’ behaviours, and therefore addresses procedure-based accountability.

The SPMS itself leads to job-relevant information, and, together with job-relevant information, it reduces role ambiguity and role conflict. The four levers of control help the SPMS to strengthen these relationships and finally to improve accountability.

The SPMS is a formal diagnostic control system. It is used to monitor goals and profitability and to measure progress toward objectives.

Some measures in the SPMS can be used interactively, this sends a clear message to the workforce about what is found important. It therefore provides direction to employees, and it can consequently clarify the roles within organizations. Interactivity can also provide job relevant information, as certain tasks or actions are discussed interactively. In addition, interactive control systems address some factors that are important in improving accountability: face-to-face meetings, establishing a dialogue, and the possibility of communicating superiors’ views on accountability.

The beliefs system and the boundary system together serve to strengthen the SPMS in providing even more direction to the employees. The beliefs system clarifies the core values of the business. Consequently, the employee will have a more complete picture of what the organization wants to achieve, and how the employee can contribute. It therefore serves to provide job-relevant information and to clarify the role of the employee. The boundary system shows how employees should not behave, and what actions should not be performed. This also serves to provide job-relevant information and to clarify an employee’s role, tasks, and actions.

Ultimately, the four levers of control and the SPMS together, can improve the sense of direction based-, and performance based accountability within an organization through the relations with job-relevant information, role ambiguity, and role conflict. When accountability improves, performance of an organization will also increase (Gelfand, 2004; Negotiation, 2009).

This chapter provided a theoretical framework that can, theoretically, improve direction based-, performance based-, and procedure based accountability within organizations. In the next chapters, research will be done on whether this theoretical framework can be effective for improving the sense of direction based-, and performance based accountability within ABN AMRO Transaction Banking.
7 Research Methodology

In this chapter the research methods will be addressed. The first paragraph will explain the type of research used in this thesis. The second paragraph deals with the collection of the data.

7.1 Type of research

Research can be divided in qualitative research, quantitative research, and mixed research. This research can be classified as qualitative research, as it focuses on the exploration of a problem specific for one organization (Creswell, 2003). A qualitative research gives the opportunity to go deeper into a specific subject, and the use of in-depth interviews provides a more profound answer from a smaller group of interviewees (de Leeuw, 1996).

The specific situation and context of an organization needs to be considered when trying to improve the sense of accountability within an organization for two reasons (Idema, 2008). First, the sense of accountability and the reasons for having a specific sense of accountability within an organization is different for every organization. Second, people are generally inclined to give answers that are socially desirable.

According to Eisenhardt (1989), a case study gives the opportunity to study specific factors and the context of an organization, and is useful for creating a detailed image of the dynamics within an organization. According to Scapens (1990), a case study can be especially useful in examining the economic, social and organizational context of a specific organization, and gives the advantage to take a very close look at the complex relations in a system of social actors. In addition, a case study can give empirical evidence on the relationship between Management Control Systems and accountability established in the theoretical framework. During the case study, the problem of giving socially desirable answers can be mainly overcome (Idema, 2008). First, by granting full anonymity to the participants. The participants were told in advance to the data collection that they would be totally anonymous. Second, the interviews are one-on-one conversations. This way, the participants will be able to express themselves more openly, because no insiders from AA TB are present, and the interviewer is independent from AA TB.

Yin (2003) makes two distinctions of case study research. The first distinction is the single- versus the multiple case study. This thesis will have a single case study, namely ABN AMRO Bank. The second distinction is between the embedded and the holistic case study. A holistic case study makes use of one unit of analysis, while the embedded case study uses multiple units of analysis although the case study can be about one organization. This thesis has one unit of analysis, because it only takes one department, Transaction Banking, into account. Hence, it can be defined as a holistic case study. Because of the limited timeframe in which this thesis should be conducted, this thesis cannot be performed within all departments of ABN AMRO N.V. Bank.

7.2 Data collection

This thesis consists of two parts; a literature study and a case study. The ultimate objective of the literature study was to explain the relationship between management control systems and accountability, and to construct a theoretical framework that illustrates how a management control system can improve the sense of accountability within an organization. The data used in this part of the thesis originated from scientific articles and books. The result of the literature study, the theoretical framework, will be used as the basis for the case study. During the case study, data will be collected by the use of interviews. The interviews are semi-structured to gain an understanding on the present sense of accountability within AA TB, the use of MCSs within AA TB, and ultimately on how the MCSs within AA TB can be changed in order to improve the sense of accountability. Semi-structured interviews give the possibility to ask for an extra explanation, and can therefore create a better
understanding on the present sense of accountability within AA TB, the use of MCSs within AA TB, and on how the MCSs within AA TB can be changed in order to improve the sense of accountability.

7.3 The interviews

The participants have been approached by email and by phone. First, an email has been sent out to introduce the participants to the research. The email gave a short introduction to the research and the goal of the interview. After this email had been sent out, the participants received a phone call to set up dates for the interview. Participation was completely voluntarily.

Ultimately, ten participants have been interviewed. The choice of the participants was made on the basis of one criteria. Participants must have worked for AA TB for at least two years. This guarantees that they have gone through an entire evaluation process, and therefore have an understanding of the sense of accountability within AA TB. In addition, this limits the possibility that they do not have answers to a question because of unfamiliarity to the organization.

On average, the duration of the interviews was an hour. The interviews were recorded to be able to develop the results of the interviews on paper as accurate and precise as possible. Subsequently, the interview results were sent to the participants. This gave the participants the opportunity to make adjustments. After the participants returned the interviews and gave their approvals for using the data of the interviews, the data was processed in the thesis.

Every interview began with an introduction to the research and the goal of the interview, followed by the questionnaire. The questionnaire was based upon the theoretical framework. For every separate subject in the framework, several questions had been set up. The subjects in the framework are: Strategic Performance Measurement Systems, role ambiguity, role conflict, job relevant information, direction based accountability, and performance based accountability. About the SPMS questions like ‘How is your performance evaluated at the moment?’ and ‘Can the strategy help you to achieve the goals that are stated in your ppp? Why (not)?’ were posed. About role ambiguity questions like ‘What is your role within the organization?’ and ‘What are your work responsibilities?’ were posed. About role conflict questions like ‘Do you ever receive incompatible requests from two or more people?’ and ‘Do you work on things that are accepted by one person but not by another?’ were posed. About job relevant information questions like ‘Do you perceive that you have all the information in place to make optimal decisions?’ were posed. About direction based accountability questions were posed like: ‘Do you feel that you are helping the organization in accomplishing its strategy?’ About performance based accountability questions like ‘Do you think that your achieved results are the best that are possible’ were posed. The complete questionnaire can be found under attachment one. Where needed, an extra explanation was given or extra questions were asked.

The answers to the questions should give a picture on the extent to which the theoretical framework could be suitable for AA TB. All subjects of the theoretical framework will be addressed in the interviews. The results should provide an understanding of the extent to which employees experience that there is role ambiguity and role conflict. Additionally, the results should show whether employees perceive that they have job relevant information. Also, the results should give clarity on whether employees feel like they have enough guidance and direction in performing their jobs, and if the theoretical framework established in this thesis could enhance the extent of guidance and direction for employees.

This chapter focused upon the research methodology. It focused upon the type of research, the data collection, and the interviews that will take place. The next chapter will deal with the results of the interviews.
8 Results

This chapter will show the findings of the interviews. The questions in the interviews were separated per subject of the theoretical framework. Consequently, in this chapter the findings will be shown per subject. Per subject, there will first be a short introduction into the objectives of the particular subject. First, Strategic Performance Measurement Systems are discussed. Second, role ambiguity is dealt with. Next, role conflict is addressed. Fourth, job-relevant information is discussed. Fifth, performance based- and direction based accountability are discussed. Finally, the subjects will be integrated with each other. All paragraphs will shortly end with a conclusion. In chapter nine, the conclusions will elaborately be dealt with.

8.1 Strategic Performance Measurement Systems

This paragraph will focus on the subject Strategic Performance Measurement Systems (SPMS). SPMS ‘translate business strategies into deliverable results. Strategic performance measurement systems combine financial, strategic, and operating business measures to gauge how well a company meets its targets’ (Burney et al., 2007). The goal of this paragraph is to find out how the performance of employees within AA TB is evaluated at the moment, to what extent employees know the strategy of ABN AMRO, and to what extent employees feel like they could use more direction and guidance when performing their jobs. A strategic performance measurement system provides direction to employees because having a clear view of the strategy clarifies an employees’ role and offers job-relevant information. In addition, by focusing on the interactive control systems, beliefs systems, and boundary systems, this paragraph will find out whether employees could use more guidance and help of their manager when they are performing their jobs. If this paragraph indicates that employees do not yet have a clear view of the strategy, or that they experience feelings of being lost within the organization and feel like they could use more direction and help, a strategic performance measurement system may be suitable for AA TB. First, this paragraph will focus upon the performance evaluation of employees within AA TB at the moment. Next, this paragraph addresses to what extent employees are familiar with the strategy and whether employees feel like they could use more direction and help when performing their jobs.

At the moment, employees within AA TB are evaluated on the basis of a personal performance plan (ppp). Every year, employees make a ppp. In this ppp, the employee writes down five to seven goals that he/she should achieve the coming year. The goals in a ppp should be written down as SMART as possible. This means that the goals should be Specific, Measurable, Acceptable, Realistic, and Timely. Specific entails that the goals should be written down clearly and concrete. Measurable means that it should be possible to measure the goals in the ppp. Acceptable means that the goals should be in accordance with the the policy of the organization. Realistic means that it should be likely to achieve the goal. Timely means that the goal should have a clear begin- and end date. Ultimately, the employees’ manager signs off the ppp.

Ideally, the usage of these ppp’s should be a top-down process. Top-management should write their ppp’s in line with the strategy. Next, the level of managers under the top-management level should write their ppp’s in line with the ppp’s of top-management. This should go all the way through to the lowest levels in the organization. This way, all employees have one mindset, and there will be performance alignment. Many participants indicated that, currently, they do not, deliberately, write their ppp in line with the ppp of their managers. This means that there is a possibility that there is no performance alignment within AA TB. Research indicates that when there is no performance alignment in an organization, employees are less motivated to meet their goals (de Waal, 2001). In addition, to the extent that an individual’s accountability area is not aligned with one’s superior, one’s group, or one’s organization, an individual may experience confusion and frustration, and a loss of productivity and organizational commitment may result (Gelfand et al, 2004).
Employees within AA TB meet twice a year with their manager to discuss their ppp’s. In the middle of the year, employees discuss with their managers whether they can achieve their goals and to what extent they need help in attaining these goals. At the end of the year, employees have a meeting with their managers to be evaluated on the basis of the achievement of the goals in their ppp. Most participants indicated that the rest of the year, they do not have meetings with their managers about their ppp’s, and managers do not direct and monitor employees on the basis of their ppp’s. Consequently, ppp’s are not managed actively. These participants indicated that when they get a new responsibility or new task during the year, this task or responsibility is usually not integrated in the ppp. This means that, for them, the ppp is not adjusted during the year, and consequently they have different goals at the end of the year than the goals they had indicated in their ppp. Consequently, it is hard to properly hold employees accountable. In addition, employees do not exactly know what they are accountable for. Some quotes of participants are:

“The ppp’s are not managed actively. Something is put on paper, but the rest of the year (except for the mid-year- and end-of-year review) nothing is done with that paper. When I get new tasks, and my old tasks are replaced, I do not change my ppp accordingly.”

“Officially, my tasks and responsibilities in my ppp have to be adjusted when my responsibilities or tasks change. However, in practice, this does not happen. My manager does not find ppp’s very important and he does not use ppp actively to direct employees.”

“My ppp never changes. People do not find this important enough”.

Many participants indicated that they would appreciate to have more meetings with their managers about their ppp’s. This would provide them more clarity about the goals they have to pursue, and the exact role they have to fulfil in the organization. In addition, this would better enable them to ask for timely help of their managers.

The participants’ knowledge of the strategy varied significantly. Some participants had to think about the content of the strategy for a while, some participants could give the strategy instantly, and some participants only had a blurred view of the strategy. Therefore, having knowledge of the strategy seems to be personal. Participants who had clear and concrete knowledge of the strategy, indicated that they actively tried to understand and search for the exact content of the strategy themselves. Most participants did feel that having a clear view of the strategy could help them achieve their goals. Having a clear view of the strategy would clarify their role and consequently enable them to make better and quicker decisions. Quotes of participants about this particular subject:

“If the strategy would be completely clear to me, this would help me in decision-making. I would feel more certain when I would perform my job, because I would exactly know the direction the organization would want me to go”.

“The strategy is a leading factor when I perform my job. Within the contours of the strategy, I make certain choices for products”.

All participants indicated that they sometimes do not know which direction to take and that they experience feelings of being lost when they are performing their jobs. Quotes of participants are:

“Sometimes I feel like I am not adding any value to the company, because I do not have enough clarity in my job. I then try to find the big picture myself to be able to have a clear view of the direction I have to take.”

“I would like my manager to tell me more clearly what direction we are going to take. The goal of my activities is not always clear to me.”
The reasons for experiencing these feelings differed across the participants. Some participants felt that they did not receive timely information, other participants do not always know that there is certain information available that could help them in performing their jobs. In addition, some participants felt that an unclear understanding of the strategy gave them a feeling of being lost within AA TB. Several participants indicated that a ppp could be a certain guiding instrument that could facilitate employees in establishing clarity in their function and that could facilitate in creating a clear direction. However, these participants also indicated that the ppp’s cannot be used as a guiding instrument at the moment. These participants felt that an important reason for this is that the ppp’s are not used seriously and actively enough at the moment. Managers do not actively direct and monitor employees with these ppp’s. Consequently, employees do not actively and seriously manage these ppp’s during the year.

Finally, all employees felt that they could use more guidance on how to best perform their jobs. Most participants indicated that they would like to see their manager be more involved in the participant’s working activities. Some participants indicated that they want to be able to spar more with their manager. Some participants want their manager to be more facilitating when participants need his/her help. Some participants want their manager to better communicate important information. Some quotes of participants regarding this subject:

“When I have done everything I can to perform my job, but I still cannot get a grip on something, I ask my manager for help. At that moment, I have done everything that is within my reach. My manager does not always give me the assistance that I would expect him to give me at that moment.”

“I would like to hear the opinion of my manager, or exchange ideas with my manager more often.”

“Occasionally it happens that my manager did not pass important information on to me’.

This paragraph focused upon the current performance measurement within AA TB. In addition, this paragraph focused upon whether strategic performance measurement systems might be suitable for AA TB. To be able to indicate whether a strategic performance measurement system is suitable for AA TB, this paragraph had to find out whether employees have a clear view of the strategy, whether employees have a clear view of the direction they have to take, and whether employees feel like they could use more guidance when performing their jobs. The results show that knowledge of the strategy varied significantly, that all participants do not always have a clear view of the direction they have to take, and that all participants felt like they could use more guidance when performing their jobs. Consequently, the theoretical framework may be suitable for increasing these factors. In addition, this paragraph showed that the ppp’s are not taken seriously enough. This would have to change to be able to use ppp’s as a management control tool.

8.2 Role Ambiguity

This paragraph will focus on the subject role ambiguity. Role ambiguity exists when there is an unclear understanding of the role; employees do not have sufficient information to show the most effective job behaviors, or there is an unclear understanding about duties, authority, and responsibilities (Daniels et al., 1999; Tubre et al., 2000). The goal of this paragraph is to find out whether role ambiguity exists within AA TB. If this is the case, the theoretical framework may be suitable for declining this role ambiguity. To find out whether role ambiguity exists within AA TB several subjects are researched: the extent of clarity about participants’ roles and responsibilities, the extent of receiving explanations that clarify work assignments, and the extent of clarity regarding expectations at work.

The views of the participants regarding the extent of clarity of their roles differed. Some participants had a clear view of their role, while others did not. However, regarding the extent of clarity of participant’s responsibilities, there was more consensus. Many participants mentioned that it is not always clear to them which responsibilities belong to certain roles; this includes responsibilities of colleagues, next to their own responsibilities. Quotes of participants are:
“My role within the organization has always been clear to me. However, it is not always clear to me what my exact responsibilities are. I sometimes struggle with getting clarity about which responsibility belongs to which role and which department.”

“The role I have to perform within the organization is not always clear to me. Many departments are trying to find clarity regarding the actions other departments perform to find out what function belongs to whom. That is also why responsibilities are not clear to me. The demarcation of roles and responsibilities per department is not clear.”

“Frequently it happens that there is overlap in certain roles.”

All participants mentioned that if you need more clarity regarding your role or responsibilities, it is your own responsibility to get that clarity. As an employee, you must ask for, and actively search for information that can clarify your role and responsibilities:

“It is your own responsibility to get a clear view of the exact roles and responsibilities. You have to ask for clarifying information yourself, it does not come towards you itself.”

Most participants mentioned that the big picture, regarding what is expected of them, is clear to them. Nonetheless, it is not always completely clear what is expected of them while they are performing their work activities. When parts are unclear, most participants revealed that they have to look for clarification themselves. One participant even mentioned that it is not always clear to him/her what is expected of him/her, nor the big picture:

“It is clear to me what my manager expects me to do. However, it is not always clear to me what ABN AMRO wants me to do. It is not always clear to me whether it is expected of me that I perform certain tasks, or that those tasks have to be performed by other departments.”

This paragraph focused upon role ambiguity. The results showed that there is a certain amount of role ambiguity among most participants; roles and responsibilities are not always clear to participants, participants do not receive explanations that clarify work assignments, and the extent of clarity regarding expectations at work is not always completely clear to participants. Consequently, the theoretical framework may be suitable for reducing this role ambiguity. Ultimately, this will increase the sense of performance based- and direction based accountability.

8.3 Role Conflict

This paragraph will focus on the subject role conflict. Role conflict exists when there are incongruent role expectations; employees are not able to properly perform job expectations because of incompatible demands (Rizzo et al., 1970). The goal of this paragraph is to find out whether employees within AA TB experience role conflict. If this is the case, the theoretical framework may be suitable for declining this role conflict. To find out whether role conflict exists within AA TB, several subjects are researched: the extent of receiving incompatible requests of different people, the extent of working on unnecessary things, the extent of working on things that are accepted by one person but not by another, the extent of working in groups that operate quite differently.

Most participants, except for one, indicated that they, occasionally or frequently, receive incompatible requests from two or more people. The reasons for receiving incompatible requests diverged: colleagues can have objectives that are quite different from participants’ objectives; people can have double diaries, and several managers can have different priorities for certain cases. In addition, participants mentioned that people can have an incorrect view of the role the participant fulfils.
“I receive incompatible requests from different people quite often. An important reason for receiving these requests is that other people have a different view of the role that I perform. In my opinion, another important reason is that people have double diaries.”

All participants mentioned that they sometimes work on things that are unnecessary. Looking at their role, they should not have to do those work assignments. The reasons for working on unnecessary things diverged here as well:

“I sometimes work on things that I do not find important or necessary. However, it can be necessary for someone else.”

“Politically, it can be useful to perform certain actions that are actually unnecessary to perform for my function.”

“Sometimes it is hard to determine whether certain tasks are important for me to perform. At the end of the day, I may come to the conclusion that I have done unnecessary work.”

“I receive very many requests at one day. There are also requests of other people that do not fit my role. Actually, I should return these requests, but I do not do that. Then, I work on things that are unnecessary for my own job.”

The last quote reveals that participants sometimes work on unnecessary things because of requests of people that do not fit their own role. This stems from the fact that colleagues do not always have a proper image of the role the participants fulfil.

Most participants indicated that they sometimes work on things that are accepted by one person but not by another. One reason for this inconsistency was mentioned: different departments or managers can have competing interests. This can make it difficult for employees to understand their role. In addition, colleagues can struggle to find out what the exact role is of the participant. Consequently, this creates role conflict.

Finally, all participants indicated that they work in groups that operate quite differently. However, all participants also mentioned that they do not experience this as unpleasant. On the contrary, participants said they liked this. However, this may make it difficult for employees to clearly understand their true role. For colleagues it may also become unclear what the true role of other colleagues is. Consequently, this may create role conflict.

“This paragraph focused upon role conflict. The results showed that there is a certain extent of role conflict within AA TB: most participants receive incompatible requests from different people, all participants sometimes work on unnecessary things, most participants sometimes work on things that are accepted by one person but not by another, all participant indicated that they work in groups that operate quite differently. Consequently, the theoretical framework may be suitable to reduce this role conflict. Ultimately, this may increase the sense of performance based- and direction based accountability.

8.4 Job Relevant Information

This paragraph focuses on the subject job relevant information. Job relevant information is the extent to which the information that is essential for employees to perform job-related tasks is available. Job relevant information is also referred to as information which facilitates decision making (Kren, 1992). The goal of this paragraph is to find out whether employees within AA TB experience a lack of job relevant information. If this is the case, the theoretical framework may be suitable for improving this lack of job relevant information. Consequently, when there is job relevant information, less role
conflict and less role ambiguity will be experienced by employees. To find out whether there is a lack of job relevant information within AA TB, several subjects are examined: the extent to which participants perceive that they have all the information in place to make optimal decisions, and the extent to which participants can obtain necessary strategic information.

Most participants perceived that they do not have all the information in place to make optimal decisions. Several reasons were indicated:

“It is very hard to obtain all the necessary information that is available in the organization. Some information that I need may already be available, but I receive that information too late or not at all, even though I have done everything I can to obtain that information.”

“There is no optimal communication in this organization, that is why I do not always have all information I need.”

“People keep information to themselves consciously and unconsciously.”

All these reasons come down to a lack of communication. It seems that information that is available within the organization is not always properly communicated. This can make it harder for employees to make decisions and to perform their jobs well.

All participants indicated that they know where and how they can obtain strategic information. However, much strategic information is confidential, and therefore cannot be shared within the organization. As a reason for the possibility to obtain this strategic information, all participants indicated that they know people who have regular contact with the board of directors. However, these people are not always willing to give them strategic information, nor to make time available for employees who need information. Consequently, participants know where to get important strategic information, however, it is still troublesome to really obtain this strategic information.

This paragraph focused upon job relevant information. The results show that there is a certain lack of job relevant information within AA TB: most participants do not have all the information in place to make optimal decisions; and although all participants indicated that they know where and how to obtain important strategic information, in many cases it is troublesome to really get a hold of this strategic information. Consequently, the theoretical framework may be suitable for improving this lack of job relevant information. Ultimately, this may increase the sense of performance based- and direction based accountability.

8.5 Direction based- and performance based accountability

This paragraph will focus upon direction based- and performance based accountability. Together with procedure based accountability, these three types of accountability should lead to employees performing right actions that lead to right results. Through direction based accountability, employees should have a clear view of the direction of the organization. This will help employees to properly perform their jobs, and take the right actions that lead to right results (performance based accountability). Procedure based accountability tries to constrain and guide behaviour into the right direction by the establishment of rules, guidelines and regulations. This type of accountability is supportive to the other two types of accountability. The theoretical framework addresses procedure based accountability, as this is a formal framework with rules and regulations. Consequently, if there is a theoretical framework available within an organization, procedure based accountability is addressed. That is why this type of accountability will not be addressed here.

To find out how employees within AA TB feel about direction based accountability, several subjects are examined: the extent to which participants feel like they help the organization accomplishing its strategy, the extent to which participants perceive that they could use more guidance, and the extent to which participants perceive that they know which direction to take to accomplish their jobs. To find
out how employees within AA TB feel about performance based accountability, other subjects are examined: the extent to which participants perceive that their achieved results are the best possible, and the extent to which employees perceive that they have all the information in place to make optimal decisions.

Regarding direction based accountability, most participants perceived that they helped the organization in accomplishing its strategy. Currently, many participants are working on projects that directly pursue one important strategic pillar. However, some participants indicated that they do not always feel like they are helping the organization accomplishing its strategy.

“I do not always have a clear view of how my job activities are related to the strategy”.

The extent to which participants perceive that they could use more guidance, has already been dealt with in paragraph 8.1. The results there showed that all participants felt that they could use more guidance on how to best perform their jobs. Finally, the extent to which participants perceive they know which direction they should take to accomplish their jobs, has already been dealt with in paragraph 8.1 as well. The results showed that all participants indicated that they sometimes do not know which direction to take and that they sometimes experience feelings of being lost when they are performing their jobs. Concluding, it seems that participants do not always have good feelings about direction based accountability, and that AA TB should more properly indicate the direction the organization wants to go.

Regarding performance based accountability, most participants perceived that their achieved results are not the best possible. The participants revealed several reasons:

“There is a lot of political game playing. Consequently, a lot of information is not shared and then I often do not know where I stand and what I need to do to be able to achieve the best results that are possible.”

“The data, the information, and my environment are continuously changing. Consequently, I find it hard to make decisions that lead to the best results.”

“I am dependent on a lot of other people for my work. This sometimes makes it hard to deliver the best results that are possible.”

Except for the third reason, the other two reasons indicate that employees may need more guidance, direction and help to be able to achieve the best results that are possible.

The extent to which employees perceive that they have all the information in place to make optimal decisions has already been handled in paragraph 8.4. The results showed that most participants perceived that they do not have all the information in place to make optimal decisions. Taking into account these two factors, 1) the extent to which participants perceive that their achieved results are the best possible, and 2) the extent to which employees perceive that they have all the information in place to make optimal decisions, it seems that employees within AA TB do not always have good feelings about performance based accountability, and that they could use more help and guidance to be able to deliver the right actions that lead to the right results.

This paragraph focused upon direction based- and performance based accountability. The results show that both types of accountability can substantially be improved within AA TB. Consequently, the theoretical framework may be suitable for improving the sense of direction based- and performance based accountability within AA TB.
8.6 Recap of the results

In the foregoing paragraphs, the results were discussed per subject. This paragraph will integrate these separate subjects.

To indicate whether a SPMS may be suitable for AA TB, the results had to show that employees do not always have a clear view of the strategy, that employees do not always have a clear view of the direction they have to take, and that employees feel like they could use more guidance when performing their jobs. The results of the interviews showed that employees’ knowledge of the strategy varied significantly, that all participants do not always have a clear view of the direction they have to take, and that all participants felt like they could use more guidance when performing their jobs. Additionally, the results showed that employees within AA TB experienced a certain extent of role ambiguity and role conflict. Fourth, employees experience a certain lack of job relevant information. Direction based accountability could also be improved within AA TB; not all participants feel like they help the organization accomplishing its strategy, employees feel like they could use more guidance and direction. Finally, performance based accountability could be improved within AA TB; employees do not always feel like their achieved results are the best possible, and most participants perceived that they do not have all the information in place to make optimal decisions.

Concluding, the results show that all the subjects in the framework could substantially be improved within AA TB. Additionally, the results showed that a SPMS may be a suitable MCS for AA TB to improve the sense of direction based-, performance, and procedure based accountability. Foregoing chapters showed that a SPMS reduces the extent of role ambiguity and role conflict, and provides job relevant information to employees. Consequently, this will lead to a better understanding of the accountability structures. Furthermore, a SPMS itself focuses specifically on improving direction based-, and performance based accountability. Thus, a SPMS should be able to improve direction based-, and performance based accountability with in AA TB. However, Simons’ four levers of control should be used to strengthen the use of a SPMS. The results showed that participants need more guidance and help of their managers; this is where the interactive control system plays an important role. If managers meet more regularly with their subordinates, employees will get more clarity about the goals they have to achieve, and the exact role they have to fulfill in the organization. Consequently, these meetings will clarify employees’ role, and will lead to a better understanding of the accountability structures. The beliefs and boundary systems are of importance as well, as these levers of control can provide even more direction and guidance to employees. Many participants indicated that the strategy is not always clear to them; this is where beliefs system plays an important role. The strategy, together with the core values of the bank should be clearly communicated to employees through this beliefs system. Through a boundary system, AA TB can communicate what behaviours are not accepted. This also serves to provide job relevant information and to clarify employees’ roles, tasks, and actions even further. This will also lead to clearer accountability structures for employees within AA TB.

Concluding, the theoretical framework could increase the amount of job relevant information, and reduce the extent of role ambiguity and role conflict. This will ultimately lead to an improved sense of direction based-, and performance based accountability.

A final, important observation was that not all managers use the ppp’s seriously and actively. However, participants do feel that a ppp could be a certain guiding instrument that could facilitate employees in establishing clarity in their function and in creating a clear direction. This means that a ppp can be a proper management control tool if the measures are linked to the strategy, and if managers start using the ppp’s as an instrument for guiding, monitoring and directing employees. Currently, employees are being held accountable for performance measures stated in the ppp. However, the ppp is not always adjusted during the year, and consequently, employees have different goals at the end of the year than the goals that are stated in their ppp. This makes it hard to properly hold employees accountable. In addition, this makes it hard for employees to know exactly what they are accountable for.
In the next chapter, the conclusions of the results that were shown in this chapter will be elaborately dealt with. In addition, that chapter will give recommendations to AA TB and organizations in that general that want to improve their sense of accountability.
9 Conclusion and recommendations

This chapter will give the conclusions and recommendations of this thesis. This thesis started with a research question. In order to get an answer to the research question, several sub questions have been made. The sub questions were addressed and answered in the previous chapters. This final chapter will give an answer to the research question. The first paragraph of this chapter will show the conclusion of this thesis. The second paragraph will give recommendations, based on the conclusion, to AA TB and to organizations in general that want to improve the sense of accountability.

9.1 Conclusion

The objective of this paragraph is to give an answer to the research question:

*How can a Management Control System improve accountability within ABN AMRO Bank N.V. Transaction Banking?*

The provision of information, and guaranteeing that employees have the right information in place to be able to perform their jobs, is imperative in the process of having employees acting, being, and holding accountable. The right provision of information clarifies the accountability structures within an organization to all employees; employees will know what it is they and their colleagues are being held accountable for, to whom they and their colleagues are accountable and what actions they and their colleagues have to perform.

The theoretical framework established in this thesis addresses the important finding of the provision of information, and thereby guarantees that employees have the right information in place to be able to perform their jobs. The theoretical framework focuses on improving direction based-, performance based-, and procedure based accountability. Through the use of a SPMS in combination with Simons’ (1995) four levers of control, the extent of role ambiguity and role conflict will be reduced, while the extent of job relevant information will be increased. Simons’ (1995) four levers of control work to strengthen the SPMS and to improve the several types of accountability. The four levers of control are: diagnostic control system, interactive control system, beliefs system, and boundary system. The diagnostic control system is used to monitor goals and profitability and to measure progress toward objectives. Some measures in the SPMS can be used interactively, this sends a clear message to the workforce about what is found important, and therefore provides direction to employees, and it can consequently clarify the roles within organizations. The beliefs system clarifies the core values of the business. The boundary system shows how employees should not behave, and what actions should not be performed. Ultimately, the SPMS leads to job-relevant information, and, together with job-relevant information, it reduces role ambiguity and role conflict. The four levers of control help the SPMS to strengthen these relationships and finally to improve direction based-, performance based-, and procedure based accountability.

For AA TB, the theoretical framework established in this thesis can be a valuable tool in improving its sense of accountability. The results of the interviews show that participants feel like they could use more direction, guidance, and help when they are performing their jobs. The theoretical framework can give more direction and guidance to employees by providing job relevant information and reducing role ambiguity and role conflict. It was found that an interactive control system can be of great importance to employees within AA TB. Most participants indicated that they could use more guidance and help of their manager. The participants feel like they would be doing a better job if they would meet with their manager more often, because this would give them more clarity about the goals they have to pursue, and the exact role they have to fulfill in the organization. Further, the boundary- and beliefs systems should help the SPMS to clarify the strategy and direction. If employees have a clear view of the strategy, this will clarify their role and it will consequently enable them to make better and quicker decisions. Finally, the formal diagnostic control system currently used within AA TB, is not always taken and managed seriously by managers and employees.
Next to the observation that employees feel like they could use more direction, guidance, and help when they are performing their jobs, the results of the interviews show that employees experience role ambiguity, role conflict, and employees experience a certain lack of job relevant information.

Therefore, the theoretical framework established in this thesis can be used to provide employees with the right direction, guidance, and help. Additionally, the theoretical framework will provide employees more job-relevant information, and they will experience less role ambiguity and role conflict. When the roles every employee within AA TB has to fulfill are clear, employees will have a proper view of what they and others are accountable for; the accountability structures will be clear to all employees. As we found in previous chapter, this is an important condition for improving the sense of accountability within an organization. Hence, direction- and performance based accountability will improve.

Direction-based accountability will further improve as this type of accountability focuses upon directing employees behaviour in such a way that employees take action that lead to the implementation of the strategy. In addition, this type of accountability focuses upon guaranteeing that employees have a clear view of the direction the organization wants to take, and consequently that employees themselves know what direction they should take. The theoretical framework established in this thesis will clarify the direction and the strategy of the organization. Additionally, employees will have a better understanding of the strategy, which will make it more likely that employees take actions that lead to the implementation of the strategy.

Performance-based accountability will further improve as this type of accountability focuses upon guaranteeing that employees take the right actions that lead to the right results. The theoretical framework established in this thesis will clarify employees’ role within AA TB and the strategy of AA TB. Consequently, employees will have a better understanding of the actions they should take. Additionally, by having a clearer view of their role and of the strategy, employees will also have a clearer understanding of what the desired results are he/she should deliver.

This paragraph addressed the conclusion of this thesis. It was concluded that the theoretical framework that is established in this thesis can be used for improving the sense of direction-based- and performance based accountability within AA TB. Procedure based accountability will also be improved, because the theoretical framework should be used as a formal MCS, together with rules, guidelines and regulations.

The next paragraph will address recommendations to AA TB and organizations wanting to improve their sense of accountability, regarding how the sense of accountability can be improved.

9.2 Recommendations

This paragraph will give general recommendations, based on the literature study of this thesis, to organizations that want to improve their sense of accountability and specific recommendations, based on the empirical analysis of this thesis, to AA TB regarding how they can improve the sense of direction based-, and performance based accountability. The recommendations will be based on the most important findings of these thesis. In addition, other organizations that want to improve their sense of accountability may find useful advice in the specific recommendations to AA TB. Finally, this paragraph shows how this thesis added valuable knowledge to the existing literature.

When organizations want to improve their sense of accountability, it is important for them to set up clear accountability structures; all employees within the organization must know exactly what it is they and their colleagues are being held accountable for, and to whom they and their colleagues are accountable to. For organizations that want to improve their sense of accountability, it is important to provide all employees with the necessary information regarding the accountability structures.
This thesis found that the sense of direction based-, performance based-, and procedure based accountability can be improved by the use of SPMSs. This means that, for organizations wanting to improve their sense of direction based-, performance based-, and procedure based accountability, they have to closely link their performance measures to the strategy. Organizations that will link their performance measures to the strategy, will find that the extent of role ambiguity and role conflict will be reduced, and that the extent of job relevant information will be increased. This will consequently improve the sense of direction based- and, performance based accountability.

Next to linking performance measures closely to the strategy, organizations should use some performance measures interactively. This sends a clear message to the workforce about what is found important, and therefore provides direction to employees, and it can consequently clarify the roles within organizations. Looking at the theoretical framework, this will improve direction based- and, performance based accountability.

Furthermore, organizations should clearly communicate how they want their employees to behave and how they want their employees not to behave; what actions should be performed and what actions should not be performed. Consequently, the employees will have a more complete picture of what the organization wants to achieve, what the employees’ role is in achieving the organization’s objectives and consequently, and what the employees are accountable for. This will deepen the understanding of the accountability structures. The communication can be communicated through so-called beliefs- and boundary systems. Beliefs systems clarify the core values of the business, while boundary systems show how employees should not behave.

The results of the interviews with participants within AA TB show that participants feel like they could use more direction, guidance, and help when they are performing their jobs. Most participants indicated that they perceive some extent of role ambiguity and role conflict, and that they could use more job relevant information. Therefore, it is important for AA TB to closely link performance measures to the strategy. This will provide employees with direction regarding where the organization wants to go, and consequently, where employees themselves need to go. This thesis showed that this will reduce role ambiguity and role conflict, and increase the extent of job relevant information. Hence, employees will have a better understanding of what they and others in the organization are accountable for.

Further, it is imperative that managers meet more frequently with their subordinates. Currently, according to the results of this thesis, many employees could use more guidance and help of their manager. The participants feel like they would be doing a better job if they would meet with their manager more often, because this would give them more clarity about the goals they have to pursue, and the exact role they have to fulfill in the organization. Consequently, these meetings will clarify employees’ role, and will lead to a better understanding of the accountability structures.

Third, it is important that the strategy, together with the core values of the bank are clearly communicated to employees through a beliefs system. Many participants indicated that the strategy is not always clear to them. Next to the strategic performance measures, extra communication about the strategy and core values of the bank should take place. Employees will consequently have a more complete picture of what the organization wants to achieve, and how the employee can contribute. It therefore serves to provide job-relevant information and to clarify the role of the employee. Through a boundary system, AA TB can communicate what behaviours are not accepted. This also serves to provide job relevant information and to clarify employees’ roles, tasks, and actions even further. This will lead to clearer accountability structures for employees within AA TB.

Finally, it is important for managers to use the ppp’s seriously and actively. Results of the interviews indicate that this is not always the case at the moment. However, the results also indicate that participants felt that a ppp could be a certain guiding instrument that could facilitate employees in establishing clarity in their function and in creating a clear direction. This means that a ppp can be a proper management control tool if the measures are linked to the strategy, and if managers start using
the ppp’s as an instrument for guiding, monitoring and directing employees. Currently, employees are being held accountable for performance measures stated in the ppp. However, the ppp is not always adjusted during the year. Consequently, employees have different goals at the end of the year than the goals that are stated in their ppp. This means that it is hard to properly hold employees accountable. In addition, employees do not know exactly what they are accountable for. Therefore, it is of crucial importance that all managers start using ppp’s seriously and actively to be able to improve the sense of accountability. For the ppp’s to actually inspire and attain commitment, employees have to see their managers behave in line with these ppp’s and see that the ppp’s represent deeply rooted values.

Next to the recommendations to organizations in general that want to improve their sense of accountability and specifically to AA TB, this thesis has made a contribution to the existing literature concerning management control and accountability.

First, foregoing literature described factors that influence accountability. However, in previous literature these factors have all been studied in isolation; separate from each other. This thesis has brought the factors that influence accountability together. Subsequently, this thesis could show that most factors come down to having clear accountability structures in place. This thesis found that the provision of information is of great importance in the process of having clear accountability structures. Through the provision of the correct information, employees will have a better understanding about whom they are accountable to, what they are accountable for, and what their colleagues are accountable for. Consequently, the accountability structures will become clearer to all employees.

Further, accountability and management control (systems) are, as separate concepts, well grounded in the literature. This thesis described the most common types of accountability and MCSs that were addressed in previous literature, with the ultimate intention of linking certain types of MCSs to certain types of accountability. It is known in the literature that MCSs can improve the sense of accountability within an organization. However, the existing literature does not show which types of MCSs can improve certain types of accountability within an organization. This thesis showed how a certain type of MCS can influence and control a certain type of accountability.

Finally, the most important contribution this thesis made to the existing literature is the theoretical framework that has been set up. Previous research has focused elaborately on the separate concepts accountability and management control systems. However, the determinants constituting the relationship between management control systems and accountability have never been researched. This thesis sought to extend the existing literature by showing the relationship between a certain type of MCS and certain types of accountability; how a certain type of MCS can improve certain types of accountability. This thesis found that the sense of direction based-, performance based-, and procedure based accountability can be improved by the use of Strategic Performance Measurement Systems together with Simons’ four levers of control. This framework takes all the factors that influence accountability into account.

This chapter gave the conclusions and recommendations. Next chapter will show the limitations and suggestions for future research.
10 Limitations and future research

Like every research, this thesis has its shortcomings. However, we can learn from these shortcomings and keep them in mind when we perform future research. Hence, it is important to show the main shortcomings of this thesis. Next to the main limitations of this thesis, this chapter will give some suggestions for future research. These suggestions can be important to deepen the understanding of the findings presented in this thesis and to further explore the field of accountability in relation with management control systems.

10.1 Limitations

First, as we found in previous chapters, there exists numerous different definitions of the concepts accountability and management control systems. As a consequence there is no widely agreed definition of these concepts. The author has justified her choice for the definitions that are used in this thesis. However, differences in interpretations of the definitions of these concepts may cause confusion or misunderstanding.

Second, as the results chapter of this thesis showed, culture can be an important element when organizations want to incorporate the theoretical framework, established in this thesis, into their organizations. Every organization has its own unique culture, and this makes the use of the theoretical framework established in this thesis, unique in every organization. This is a limitation for the generalization of this research.

Furthermore, the findings of this thesis are based on the experiences of employees. However, to improve the sense of accountability within an organization by using the theoretical framework, managers have to incorporate this framework in their activities as well. Nonetheless, the findings presented in this thesis, may be slightly different for managers.

Moreover, this research is qualitative of nature. The limitation of qualitative research is that it cannot be guaranteed that the findings of this thesis can be completely generalized.

Finally, the theoretical framework established in this thesis has not been put into practice, because of the limited timeframe that the author of this thesis faced. To see if the theoretical framework can in fact be suitable for organizations to improve their sense of accountability, this framework needs to be put into practice.

10.2 Future research

Further research is important to be able to further deepen the understanding of the findings presented in this thesis and to further explore the field of accountability in relation with management control systems.

The results of the interviews made clear that culture can play an important role when organizations try to improve their sense of accountability by the use of management control systems. Every organization has its own unique culture, and this makes the use of the theoretical framework established in this thesis, unique in every organization. Therefore, future research should focus on including a cultural dimension in the theoretical framework established in this thesis.

The theoretical framework established in this thesis has not been put into practice. To further deepen the understanding of the findings presented in this thesis, future research should put the theoretical framework into practice. This may create a common and accepted image about this subject.
References:


Anthony, R. N., Planning and Control Systems: Framework for Analysis (Boston: Graduate School of Business Administration, Harvard University, 1965).


Attachment 1: Interview Questionnaire

Strategic Performance Measurement System
1- How is your performance evaluated at the moment?
2- Does your personal performance plan change when your responsibilities change? Why (not)?
3- What is your understanding of the strategy?
4- Can the strategy help you to achieve the goals that are stated in your ppp? Why (not)?
5- Do you ever feel lost when you are performing your job? Why (not)?
6- Do you have regular meetings with your manager about your ppp?
7- Do you think that regular meetings with your manager about your ppp help you in accomplishing your goals? Why (not)?
8- Do you feel that you could use more guidance on how to best perform your job? Why (not)?

Role Ambiguity
9- Has your role within the organization always been clear to you?
10- Have your work responsibilities always been clear to you?
11- Do you receive explanations that clarify work assignments?
12- Has it always been clear to you what is expected of you?

Role Conflict
13- Do you ever receive incompatible requests from two or more people?
14- Do you work on unnecessary things?
15- Do you work on things that are accepted by one person but not by another?
16- Do you work with two or more groups that operate quite differently?

Job Relevant Information
17- Do you perceive that you have all the information in place to make optimal decisions? Why (not)?
18- Can you obtain necessary strategic information? Why (not)?

Direction Based Accountability
19- Do you feel that you are helping the organization in accomplishing its strategy? Why (not)?
20- Do you ever feel lost when you are performing your job? Why (not)?
21- Do you feel that you could use more guidance on how to best perform your job? Why (not)?

Performance Based Accountability
22- Do you think that your achieved results are the best that are possible? Why (not)?
23- Do you perceive that you have all the information in place to make optimal decisions? Why (not)?