The dialectic of power

Implications for management accounting and control research

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Abstract

This paper draws on the notion of the 'dialectic of control' as explicated in Giddens' Theory of Structuration to understand the relational nature of power in organisational interaction process. It argues that even the most subordinate agents have some 'allocative' and 'authoritative' resources at their disposal, which they can use to influence the actions of their superiors. The manipulation or cosmetic dressing of performance indicators in the key result areas of performance, by the profit-centre managers of the Fiji Development Bank, is analysed within the dialectic of control.

Introduction

The discourse of power and domination still remains unexplored in management accounting and control literature. This omission is surprising, for power is centrally implicated in the concept of control (Broadbent 1997). On the other hand, the disregard of power issues in management control might be expected, given the managerial bias in the prevailing management control literature. The contribution by Robson and Cooper on power and domination in management control is still—a decade later—considered to be one of the most substantial and influential pieces of work (1989). Conventional works on management control, including those of Robert Anthony and others (Anthony, Dearden & Vancil 1965; Anthony,

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Dearden & Govindarajan 1992) have reduced the focus of the discipline to narrow, technical and calculative aspects of management accounting such as responsibility centres and their accounting. Driven by the 'means to an end' orientation, the conventional wisdom on management control places emphasis on 'authority' rather than on 'power'. This debatable issue is beyond the scope of this paper.

The concept of power is problematic: the several ways of approaching the notion emphasise particular themes, though this should not lead to the conclusion that there are no commonalities. For example, Robson and Cooper (1989), drawing upon Therborn (1978), and Foucault (1980) outline similarities and differences amongst at least four[1] paradigms on power, each embodying a different world-view. Nor does the fact that Weber and Foucault offer different competing explanations on the workings of power and domination mean that their views do not share any common ground. Foucault's account of sovereign and disciplinary power is not completely at odds with Weber's discussion on authority. Further, Foucault maintains that knowledge is a key element in all power relations, and that both are intertwined. His metaphor of power reaching into the finest capillaries of the society and his views on resistance resemble Giddens' notion of the 'dialectic of control' or the capacity of knowledgeable subordinates to 'resist' and 'act otherwise' to 'make a difference' to the ongoing course of events.

This paper draws upon the much neglected notion of the dialectic of control as a means to sensitise researchers to the relational nature of power in organisations, as explored in Giddens' structuration theory. It is worth quoting Giddens on this theme:

> Power within social systems that enjoy some continuity over time and space presumes regularised relations of autonomy and dependence between actors or collectivities in contexts of social interaction. But all forms of dependence offer some resources whereby those who are subordinate can influence the activities of their superiors. This is what I call the dialectic of control in social systems. (1984: 16)

Structuration theory is eclectic in approach and has emerged from comprehensive commentaries on existing social theories. Rather than presenting the entire complex framework, this study focuses on the reproduced relations of autonomy and dependence within the structure of domination. As advocated in structuration theory, the three dimensions of structure—signification, domination and legitimation—are intertwined and do not exist apart from other elements in the course of production and reproduction of social and organisational life. Several researchers in management accounting and control have demonstrated how the latter are implicated, as modalities of structuration, in the three dimensions of signification, legitimation and domination. The intention here is not to replicate such studies, but rather, as already stated, to sensitise researchers in accounting and control to relational power in organisations within the dialectic of control.

Giddens defines power as 'the capacity to achieve outcomes' (1984: 257). He sees power as not necessarily linked to conflict in the sense of division of interest or active struggle, nor as inherently oppressive, for within the dialectic of control it is also an enablement. For example, management and control systems (MACS) are designed and implemented to constrain the behaviour of subordinates, yet those subordinates also have the potential to manipulate any control mechanism to their advantage. Giddens argues elsewhere that 'this is one of the central areas in which the theorem that social actors know, and must know, a great deal about the circumstances of their action, can be most readily related to domination and power' (1979: 145).

The study reported here demonstrates that contrary to the portrayal in the conventional literature, MACS cannot provide for the upper echelons in organisations a totally efficient and effective basis for securing power and domination. Even new control mechanisms will provide skilled and knowledgeable subordinates in organisations with new opportunities to exploit the control potentials for their own benefits. Empirical support for this 'non-functionalist' structurationist theme is drawn from the case of the Fiji Development Bank. The concept of the dialectic of control provides a more than adequate explanatory framework for such deliberate and self-serving behaviours on the part of subordinate managers as manipulation of performance indicators, smoothing income and introducing budgetary slack. Management control systems cannot be seen as foolproof systems to bring about co-ordination and control in organisations. Instead, the process of management control needs to be understood as a set of loosely connected practices and mechanisms to co-ordinate and control looselycoupled units located in time and space (Reed 1989; Nandan 1996). The next section examines the ontological nature of the concept of the dialectic of control within a structuration framework.

The dialectic of control

Human agency implies power to 'intervene' and the capability of 'making a difference', so as to influence events that occur in the social world. To be a human agent is to be a highly knowledgeable and skilled individual so as to secure autonomy of action in the course of day-to-day life. But power relations involve reproduced relations of autonomy and dependence; they involve a two-way process, even where the power of one individual is minimal in comparison to that of another (Giddens 1979). Giddens' notions of power and domination are tied to these philosophical arguments, but a few definitional issues related the theme of the dialectic of power deserve attention and clarification first.

Despite its several different meanings in social science literature,[2] the term *dialectic* as used in this paper refers to the alteration or shift in the balance of power over time and space, due to changing circumstances, as a result of the attempts by 'knowledgeable'[3] subordinate agents to use the (meagre) resources at their disposal. As skilled and knowledgeable agents, subordinates are never simply helpless or powerless; they are able to influence the actions of their superiors. This dialectical nature of power relations in organisations, an important element of the dialectical approach to the study of management control, remains largely unexplored in rational-functional theories of organisation and control, despite its importance as a 'critical' theme.

The term *control* also has many different shades of meaning in the English language; at least '57 varieties' of connotation are listed by Rathe (1960, quoted in Otley & Berry 1980). 'The most common idea it suggests is that of dominance; the domination of one individual or group by another through the exercise of power' (ibid.: 231). At least two kinds of views on control can be identified in control literature. The first, functionalist in orientation and taking cybernetics as its fundamental theoretical framework, prescribes controls that will establish organisational order and stability. Otley and Berry (1980) have used the term 'control' in its full cybernetic sense of monitoring activities and then taking corrective actions in order to ensure that desired goals are achieved. They outline four[4] necessary conditions for control but concentrate particularly on the need for a predictive model to control any process. The second approach, pluralistic in orientation, highlights the complex social processes of interaction through which controls emerge, re-emerge and are transformed in organisations. Giddens states: 'by control I mean the capability that some actors, groups, or types of actors have of influencing the circumstances of action of others' (1984: 283). Certainly, his version of control is tied to the notion of power and power struggles in social and organisational life.

Giddens maintains that in power struggles the dialectic of control is always in operation (1984). Implicit in the nature of human agency, in which power is a central element, are not only humans *doing*, but also the possibility of their *doing otherwise* to make a difference in an ongoing course of practices, activities and events (Giddens 1979, 1984). This suggests that the capacity of the upper echelons to structure and control time/space allocation and utilisation in line with formal strategies and mechanisms of control is inherently limited due to the operation of the dialectic of control in large complex organisations. The dialectic of control is built into the very nature of human agency or the relations of autonomy and dependence, which agents reproduce in the enactment of definite practices through the duality of structure (Giddens 1976).

The dialectic of management control is thus derived from Giddens' idea of the dialectic of control in social systems. It explores the complex issues of power—its relational nature, contradictions and conflict in organisational life—which, it is argued, have rarely received sustained and systematic consideration in conventional management control literature. Power, it has been observed, is an essential ingredient in the study of management control:

> We suggest that views on management control which do not recognise the movement of power throughout organisations and society are deficient from a theoretical point of view. Further, a failure to recognise power and the possibility of resistance has major practical consequences. It is likely to lead to incomplete prescriptions for the design or modification of management control systems which will, in turn, render problematic the designer's expectations to the effects of any proposed change. (Robson & Cooper 1989: 80)

In short, the design of a tight, well-integrated theoretical model of management control in organisations is seen as problematic in view of the capacity that subordinates retain to intervene, act otherwise and produce unintended consequences in the course of their daily interaction. Giddens asserts: 'An agent who does not participate in the dialectic of control, in a minimal fashion, ceases to be an agent' (1979: 149).

In very simple terms the dialectic of control means that those in a subordinate position can influence the activities of their superiors, because they have some resources at their disposal. Since subordinate managers, as knowledgeable agents, know, through their practical and discursive consciousness, a great deal about the circumstances of their actions, their actions can readily be related to the question of power and domination. The 'weak' have the capability to turn their weakness back against the powerful. The duality of structure means that social structures (signification, domination, legitimation) are constituted by human actions and, at the same time, are the medium of this constitution. These three dimensions of structure are inextricably intertwined in any social system; the omission of any one will offer only partial insights. However, to enable a clear focus on the issues, the emphasis of this paper is on power and domination, and in particular, the operation of the dialectic of control in organisations.

It has already been argued that human agency entails the ability to act otherwise (which means being able to intervene in the world or to refrain from such intervention) with the effect of influencing a specific process or state of affairs. This leads to the belief that agents in their daily life deploy a range of causal powers, including that of influencing those deployed by others, to make a difference to the course of events. Acting at the practical and discursive level of consciousness, subordinate managers are by no means powerless; rather, they have several options open to them to bring about a difference to the ongoing course of events. As Giddens suggests: 'The more tightly-knit and inflexible the formal relations of authority within an organisation, in fact, the more the possible openings for circumventing them' (1979: 148).

Elsewhere Giddens argues that this characterisation represents power in its broad sense; so in structuration theory he includes a second conception, of power in a narrow sense, which, in effect represents a sub-category of the first (1984). In its narrow sense, power is relational, i.e. my power over you is to some extent dependent upon the power that you have over me. The dialectic of control cannot be separated from the relational conception of power in social systems. The relational concept of power makes it possible to consider the constitution of power in social systems in which practices and activities are related through their consequences (Cohen 1989). Relational power involves 'the capability of actors to secure outcomes where the realisation of these outcomes depends upon the doings of others' (ibid.: 150). Giddens argues that power is never a unidirectional social process; all social relations involve both autonomy and dependence. Even the most subordinate agents have some allocative and authoritative resources[5] at their disposal that they can use to influence the actions and activities of their superordinates (Giddens 1984). Subordinates, for instance, may have control over the means of production, raw materials, skills, information, contacts or position in society to influence the actions of their workplace superiors (Macintosh 1995).

For the analysis of power in social systems, the dialectic of control as proposed by Giddens (1979, 1982, 1984, 1987) and Cohen (1989) can be seen as a middle-range concept to integrate the top-down and bottom-up positions. This paper argues that the two-way character of power makes it a form of control in which the less powerful are usually able to exert some control over the more powerful. (This is implicit in the agency-oriented conception of power in structuration theory as expounded by Giddens and Cohen.)

> Agency concerns events of which an individual is a perpetrator, in the sense that the individual could, at any phase in a given sequence of conduct, have acted differently. (Giddens 1984: 9)

In structuration theory, Giddens has placed a lot of emphasis on the knowledgeability of actors who 'know a great deal about the conditions and consequences of what they do in their day-to-day lives' (1984: 281). But it is also argued that the 'vast stocks of knowledge' or 'mutual knowledge' of actors need to be viewed in the context of bounded rationality, for actors neither know the consequences of nor can give reasons for all their actions. However, as an important resource, knowledgeability of actors is crucial in asymmetrical distribution of power. This double-sided power relationship, in which subordinates can and do exercise power in social interactions to influence the activities of their superiors, is better understood within the context of relational power.

> No matter how complete the power of one individual or group might be over others, resources are always available whereby subordinates can reciprocally influence power holders. The dialectic of control in modern organisations assumes various forms, but mostly these are associated closely with the modes of time–space zoning of the organisation. The settings of interaction, and their relation to timetables, allow various forms of concealment which 'balance off' other forms of exposure. Even in the 'open' settings of direct supervision there are circumstances in which individuals can escape the supervisory gaze. (Giddens 1987: 162)

The relations of autonomy and dependence are in-built into the organisational hierarchy and operate at every level. Every higher echelon is less knowledgeable about the detailed activities of the immediate lower echelon. Also the higher echelon at the head office is less knowledgeable about the activities of 'distant locales', due to lack of presence-availability as a result of 'coupling and capability constraints'[6] in social interaction. Even 'a gaze' or 'an inspecting gaze' is subject to these constraints. Moreover, it is argued that although modern electronic media and technology, including MACS, do enable stretching of relations across time and space, they are not in a position to bind and co-ordinate the organisational time and space completely, because of the operation of the dialectic of control.

Cohen (1989) points out that the concept of dialectic of control reconstructs and revises in an explicitly political manner Parsons' notion of 'double contingency of interaction'. This notion indicates that the reaction of each party to an interaction is dependent upon the contingent responses of others, and each party, in effect, has reciprocal opportunities to sanction the acts of others. The problem with the latter concept, argues Cohen, is that 'Parsons fails to acknowledge that the dependence of actors upon the contingent responses of others not only involves orientations to institutionalised norms, but also involves the actualisation of power in interaction' (1989: 150). In the dialectic of control, attention centres on the structuration of power relations and incorporates interaction and reciprocities between absent agents as well, such as those located in geographically dispersed centres.

In terms of the availability of resources, superordinates, certainly, may have access to more potent resources than do subordinates. The consequent asymmetrical distribution of resources in interactions brings about some degree of political inequality. In the operation of the dialectic of control subordinates not only must have access to resources, but they must know how to use them, through their mutual knowledge under appropriate circumstances, to achieve outcomes. This is the factor that brings about the shift in the balance of power.

The argument still remains that superordinates can never thoroughly control subordinates' activities simply by virtue of the resources they employ. In the context of interaction, no subordinate agent is coerced by or dependent upon the resources controlled by superordinates, and the sanctions associated with the use of these resources, to such an extent that she/he loses all possibility of responding in a manner other than the ones tacitly or explicitly preferred by their superordinates (Giddens 1979; Cohen 1989). Conversely, no superordinate agent who attempts to achieve outcomes through the doings of subordinates is so autonomous that she/he can achieve these outcomes without depending upon subordinates to respond in one way rather than the other (ibid.). This is the foundation on which the operation of the dialectic of control in social systems rests.

To sum up, as transformative capacity, power is intrinsically related to human agency. The 'could have done otherwise' of action is a necessary element of the theory of power, a fact upon which the concept of the dialectic of control rests. Power relations are always two-way: that is, the capability of actors to secure outcomes depends upon the agency of others (relational power). The dialectic of control, with universal presence of imbalanced degrees of autonomy and dependence as a result of asymmetrical distribution of resources, reconstitutes or reproduces the structure of domination by virtue of the duality of structure. The next section provides practical insights into the operation of the dialectic of management control within the Fiji Development Bank.

General background of the Fiji Development Bank

The Fiji Development Bank (FDB) is fully owned by the Government of Fiji. It was established on 1 July 1967 in accordance with the provisions of the

Fiji Development Bank Act as a development financial institution for the direct support of Fiji's economic development. The FDB functions as an autonomous statutory body, whose board members are appointed by the Minister of Finance. It conducts its activities within the framework of the FDB Act and Government's economic plans, policies and priorities. The objective of the Bank as stated in the new corporate plan is as follows:

> The corporate objective of the Fiji Development Bank (FDB) is to be a profitable and self-sustaining financial institution which provides finance, financial and advisory services to develop agriculture, industry and commerce and to improve the quality of life of the people of Fiji. (Asian Development Bank 1993, vol. 1: 1)

In the conduct of its business the Bank is expected to:

- provide finance to enterprises in Fiji in a manner that supports the realisation of official national economic planning goals and establishes a well-balanced lending programme;
- contribute to the country's economic planning and development processes through sub-sectoral research, project identification, and the planning and implementation of special enterprise development initiatives;
- render special assistance to indigenous Fijians and Rotumans to enhance their participation in commerce and industry;
- offer an increasingly broad range of products and services to clients in the context of increasing sophistication in Fiji's capital markets; and
- provide constructive business development and management advice to clients.

The lending divisions at the head office (Agriculture, Industrial, Special Loans, New Products) and the branches located in major towns and centres operate as profit-centres, and are responsible for generating the bulk of the business for the bank. The divisions and branches are regionalised (Central/Eastern, Northern, Western) and each headed by a regional manager located at the head office, to whom the profit-centre managers report.

To co-ordinate and control its activities, the bank has put in place a number of interrelated profit-driven control mechanisms such as a five-year rolling plan, annual budgeting, management by objectives (MBO), performance-related rewards, and internal and lending audit and accountability meetings (managers' conference) held once in every six months. The lending management information system (LMIS) produces, on a monthly basis, performance reports for each lending officer, the profit-centre and for the Bank as a whole, under the key result areas. The LMIS is the main tool used by the higher echelon in controlling the profit-centres.

Research methods

For this study of aspects of management control within FDB, field data were gathered in two phases, each lasting about three months, with an interval of one year between them. The focus of the research was on the control of profit-centres, with emphasis on the capacity retained by profit-centre managers to manipulate the performance indicators, in spite of the introduction of new control mechanisms such as the corporate plan. A triangulation of methods was used to gather field data for this study. First, document study included a review of annual reports for the last ten years, familiarisation with the bank's charter, and study of the new corporate plan, sample board papers and managers' conference position papers. Secondly, semi-structured interviews, each lasting about two hours, were conducted with the head office and branch managers.[7] The interview proceedings were tape-recorded and back-up notes were also made. The tapes were transcribed soon after the interview, and a selection of the interview transcripts was fed back to the participants to obtain a clear understanding of the issues involved. Thirdly, a questionnaire was administered to the fourteen profit-centre managers to provide support for the interview data, so as to enhance their validity and reliability and explore some new ground not covered by the interviews. These questionnaires were handed out to the managers at the end of the interview and collected personally a day or two later, giving a response rate of 100%.

The operation of the dialectic of control at the FDB

To understand the operation of the dialectic of control at a more global level, one need only consider the parallel failures of the two super-powers, the

USA and the Soviet Union, with their interventions in Vietnam and Afghanistan respectively. Its operation at a national level can be illustrated by means of a Fiji case. Fiji's economic, social, and political structures are marked by an inequality in the distribution of resources between different communities divided on ethnic and racial lines. Indigenous Fijians have retained political dominance reproduced through historical contingencies, and by being in control of resources such as the (racist 1990) Constitution, land, forests, fishing rights and the military. The non-indigenous people, on the other hand, have dominated the economy in terms of economic production, investments, technology, and distribution of goods and services. The indigenous government, no doubt realising the unintended negative consequences on economic development of the 1990 Constitution and the Agricultural Landlord and Tenant Act (ALTA), took steps to set in motion the promised review of them. A new Constitution came into effect in mid-1998 and a joint parliamentary committee has been set up to review the provisions of ALTA. This demonstrates the power of the weak to turn their weakness back against the powerful within the dialectic of control.

This paper, however, focuses on the operation of the dialectic of control at the organisational level. The concern is mainly with self-beneficial actions taken by the profit-centre managers to make their performance look good, through the manipulation of LMIS data. Their motive is the self-interested one of obtaining a satisfactory performance appraisal, a necessary step in the quest for a bonus, promotion or winning of prize money, shield and certificate etc.

Empirical data reported in this paper pertain only to the operations of the dialectic of control, although a broad study of MACS in operation was carried out. The LMIS has produced a comprehensive set of primary and secondary performance indicators in the key result areas such as arrears, provision, write-offs, rescheduling, collections and profitability. These indicators are closely interrelated, which means that 'if you play with one, you are bound to get caught in another' (as reported by most of the subordinate managers), thus making the 'smoothing' process almost impossible. But this study found ample evidence of the manipulation by the profit-centre managers of the supposedly 'tightly interrelated' performance indicators.

Responses on issues such as those reported in this study were not easy to obtain from the interviewees: subordinate managers were apprehensive that members of the higher echelon may be alerted to the tactics used. They need not have worried. The senior managers are quite familiar with the tactics subordinates have used in the past to reflect good performance, and regard whatever techniques have been or are being used to reflect satisfactory performance as short-term devices only. They are of the opinion that in the long run the MACS in place, particularly the lending audit unit, should be able to detect the manipulations.

Before moving on to an examination of the MACS in place, an attempt is made to illustrate the relational nature of power within the FDB.

Relational power

The performance of the profit-centres is determined on the basis of how well the lending officers are performing in terms of the primary and secondary indicators. Each lending officer in a profit-centre has her/his own portfolio, allocated on a random basis. Profit-centre managers have their own portfolios comprising bigger clients, but their performance is largely dependent upon the performance of the lending officers of their unit. Similarly, the performance of the three regional managers is totally dependent on the performance of the branches located in their regions. One regional manager had this to say:

> *All my work is focused on the activities of the branches in my region. My performance is mostly dependent upon the performance of the branches in the region. Well, I have my own portfolio to look after, but most of the time I do not bother about it as somebody else looks after them. I totally concentrate on the branches in my region. I personally see my role as a facilitator.*

The portfolios of the regional managers comprise selected large accounts from each of the branches in their region. The current practice is that a senior loans officer is assigned to each of the three regional managers to manage their portfolios. A comment of the managing director (MD) clearly illustrates the operation of reciprocal power relations:

> *I have only one target to meet as recommended by Hays Management Consultants and that is the net profit. My net profit targets are laid down in the corporate plan. To achieve my targets I have to ensure that all the managers of the profit-centres are achieving their profit targets.*

This demonstrates that even the upper echelon, with access to allocative and authoritative resources, is never completely autonomous. In all instances, outcomes are realised through the doings of others (subordinates), as they also have access to some allocative and authoritative resources, such as knowledge and information of the operations, market, competitors and so on. In this way component managers have considerable power resources of their own on which they can, and do, draw in interaction within the dialectic of control (Macintosh 1995).

Manipulation of performance indicators

This section of the paper describes some of the common manipulative tactics used by the profit-centre managers to make their performance look good. As this is a sensitive area, data for detailed processes at work within the FDB could not be obtained. It is, nonetheless, necessary to illustrate the 'could have done otherwise' potential of the subordinate managers within the dialectic of control.

As reported by Biotechnology Consultants Ltd,[8] 'the quality of the Bank's portfolio is in progressive decline. Rectifying this decline is of vital importance for the future of the Bank' (Asian Development Bank 1993, vol. 1: 4). The thrust of the new corporate plan is, therefore, to improve the current portfolio and to make quality loans in the future. With profit as the new moral order in the bank, the lending officers are involved in a massive exercise to 'clean up' their portfolios. This simply means jettisoning the non-performing and non-earning accounts from one's portfolio, mainly by writing-off such accounts.[9] The task of writing off accounts has been made much easier by the relaxation of associated bureaucratic formalities. Of course, writing off accounts carrying hard-core arrears reduces the amount of arrears and improves the collection percentages, which enables profit-centres to reflect good performance. All profit-centre managers saw demand/seizure, sell/recover and writing off the balance as short-term measures to show good performance: after all, the arrears decreased, and collection percentages improved.

Another way to clean up the ‘mess’ in the portfolio is to transfer large accounts that have little recovery prospects to the newly created Special Projects Division (also known as the Loan Work-Out Unit). When this division was set up with the introduction of the new corporate plan, at least 14 accounts were initially transferred to it. As at 30 June 1996 there were 30 accounts, ranging from $100,000 to $9 million, with a total portfolio value of about $33 million, comprising accounts transferred in the main from Central/Eastern and Western branches. Transfer of accounts to the loan work-out unit is justified on the grounds that such loans require special management attention, capabilities and skills that are not available within the profit-centres. The work-out strategies involve financial restructuring and turn-around, divestment at a discount or liquidation by the receiver. These loans adversely affect the performance of the profit-centres, distorting the present and potential profitability situation. Accordingly, as part of the branch portfolio ‘cleaning up’ process, and to ensure that the bank’s interests in these investments are adequately safeguarded, large accounts with some recovery prospects are transferred to the Special Projects Division located at the head office. Staff members of the division, according to its Manager, have experience in restructuring and rehabilitation, and special training is provided to them from time to time, drawing upon countries where such practices are common. It needs to be emphasised that transfer of a large problem account from the portfolio to the Special Projects Division greatly improves key performance indicators. As long as a profit-centre manager is influential in the enactment of a decision in favour of such a transfer, she/he is seen as powerful within the dialectic of control. The Special Projects Manager had this to say:

> *Profit-centre managers are very keen to transfer large problem accounts to us as it enables them to improve their performance indicators. But first they must have done their initial housekeeping duties well such as follow-up, letters of reminder, serving demand notices, and preliminary rehabilitation. Justifications for transfer have to be made through proper channels and the MD makes the final*

> *decision. But if they are influential they get their way as they know the best about a particular client. Once an account starts performing it goes back to where it came from. One account of around $9 million will go back soon. So you can see, initial transfer improves their performance and upon return, performance in the key result areas such as arrears, collections and earnings tend to improve. We are operating just like the recovery ward of the CWM [Colonial War Memorial] hospital.*

As this shows, some in-built provisions within the existing management control systems, although designed and implemented to constrain subordinate behaviour, in fact enable subordinates to perform better and 'mystify the reality'. As such, MACS as modalities of structuration are not only 'constraining', but 'enabling' within the dialectic of control.

Another strategy used by the profit-centre managers to play with performance indicators, particularly with the primary profit indicators, is through the manipulation of provision for doubtful debts (loans). An annual review of provision, carried out by the individual lending officers of the profit-centres on their allocated portfolios a couple of months before the balance date, is mandatory. This is known as the 'provision exercise'. The bank's accounting policies require that provision be created on non-performing accounts if the account balance is greater than the realisable value of securities. The amount of provision is normally the difference between the account balance and the realisable value of the securities. In actual practice the provision exercise is not as clear-cut as it appears in what is documented and circularised to the lending officers. Rather, it is a complex and important exercise, involving a lot of subjectivity and value judgements. The circular from the General Manager, Operations, dated 8 May 1995, to the profit-centre managers contained this clause:

> *Even though an account is classified as non-performing, in actual practice there may be reasons why no provision, a decrease in existing provision, or lesser than the stipulated provision is required. Here you will have to use your judgement based on the information you have on the particular account. (p. 2)*

Further, provision is not required to be created on accounts that are in arrears for less than four months. Yet there may, for reasons best known to the officers handling those accounts, be a need for creating the provision. By the same token there may be accounts not yet in arrears but requiring provision due to lower realisable value of the securities, compared to outstanding loans. It is thus clear that the provision exercise is a subjective process, in which lending officers have to use their judgement to a great extent, drawing upon information available to them. The provision exercise process includes the review of all account balances in the portfolio. The account balances are matched against the values of the securities held by the bank. Revaluation of securities is generally carried out by the lending officers; only in very rare cases are the services of independent valuers obtained. In case of shortages in security values, clients are requested to provide additional securities to make up for the deficit, and if they do not comply, then provision is required. Clearly, because the provision exercise is really a complex process that cannot be guided by clear-cut rules, it allows profit-centres the freedom to manipulate the provision numbers to their advantage.

The amount of provision affects profitability indicators. The lending officers at the FDB retain the capacity to manipulate the provision numbers to make a difference to those indicators. They have access to allocative and authoritative resources, and are seen as most knowledgeable with respect to the environment and the client. Certainly, because of the distance barrier the higher echelon is less knowledgeable with respect to client information and the spatio-temporal settings. This is a cause of frequent tension and conflict. The Regional Managers are located at the head office and visit the branches at least once in 2–3 months. But the story of the General Manager, Operations (GMO) is somewhat different, and a matter of great concern to the distant profit-centres. All three Regional Managers shared views somewhat similar to these expressed by one of them:

> *The only stress and tension that I get is from my GMO. The problem is that he doesn't go out in the field. We have invited him so many times, but he just doesn't bother. One can't picture the farm, buildings and the projects just by sitting at the head office. I think this is my biggest problem at this point in time. The GMO could do a lot more for the region and the bank as a whole because of his background.*

> *You know he is a 'Gujji'[10] and can certainly attract good business for the bank. His attitude is a real pity, that's what I think. He cannot pass some discretion/responsibility down the line, so he is always getting bogged down with files. Any file that goes to him takes so long for a decision. He has knocked down some of my very promising proposals due to lack of awareness and knowledge of the situation. This is a real stress to me because I am answerable to the clients. I hate to pass any client to him, I prefer to deal here because clients want decision.*

Interviews with the branch managers revealed similar tensions and frustrations. The branch managers are concerned about the GMO's 'armchair' view of the branch situations, one of them commenting as follows:

> *We haven't seen the GMO here for ages. He is depending too much on his armchair view of the branch and not the realistic situation. He has blocked some of my good applications that I recommended for approval. The cases that go through the normal channel get stuck with him. In sensitive cases where well-known, powerful people such as senior politicians are involved, we tend to take their cases direct to the MD for approval. The MD later on informs him of the decision.*

This comment makes it abundantly clear that the subordinate's knowledge of the spatial and temporal setting enables her/him to shift the balance of power in her/his favour by bypassing normal channels, thus reproducing the relations of autonomy and dependence within the dialectic of control. Likewise it can easily be appreciated how the dialectic of control as a secondary structural contradiction leads to the development of antagonism, conflicts, tensions and frustrations within the Bank. The profit-centre style of management requires a certain degree of autonomy and freedom on the part of the profit-centre managers, to enable them to exercise influence over factors that affect the profitability of their unit. (Another source of frequent tension and conflict is the limited discretionary authority of profit-centre managers over lending matters, but unfortunately that too is beyond the scope of this paper.)

All profit-centre managers were of the opinion that prior to the new corporate plan it was easy to effect cosmetic dressing in order for the performance to look good. One branch manager reported as follows:

> *The value of the portfolio (quantity) mattered more than the quality prior to the new corporate plan. We were just lending. The bigger the portfolio, the better. With the new corporate plan it was soon realised that too much growth was not good for the bank, and the whole view of operation then suddenly changed.*

As noted, the new corporate plan introduced a comprehensive list of primary and secondary performance indicators. All profit-centre managers expressed the opinion that this made manipulation of LMIS data difficult since the indicators were all interrelated, i.e. play with one and you get caught elsewhere. The General Manager, Finance and EDP, confirmed this in an interview:

> *It may have been possible before the corporate plan but with the change in emphasis to profit, and with the introduction of 'Interest Returns' as a primary indicator, it may be very difficult. We now focus on profit, and if you play with the indicators it can be easily revealed. Previously, you could reschedule to show less arrears and improved collection rate. We have now lending audit and internal audit has been there for quite some time. So manipulating numbers to reflect good performance is quite difficult because eventually we will pick it up, and I think managers will be silly to do that.*

The General Manager, Information Systems, made a contradictory comment on the issue of cosmetic dressing of numbers:

> *No system of control is foolproof, especially when you are dealing with human beings. Although the indicators are interrelated they can still be manipulated. Rescheduling of accounts will decrease arrears but at the same time push up rescheduling percentages. This is fine, but mind you, managers can give 'all good reasons' behind*

> *rescheduling as they are the ones who know best about the clients. A few managers in the past have disbursed undrawn funds by writing cheques and also at the same time receipting them as income to show decreased arrears and better collection ratios.*

This revealing comment brings to the forefront another way of smoothing performance indicators. Although not a very common tactic, such an attempt does illustrate the potential subordinates have in acting otherwise. Apart from disbursing undrawn funds and subsequently receipting them as income to show lesser arrears and better collection percentages, some profit-centre managers in the past have used the tactic of putting smaller accounts in arrears on demand. This is possible with smaller accounts because they are within the lower-level managers' discretionary authorities. (They have a recommending limit of $75,000, approval limit of $25,000 and control limit not exceeding $50,000.) Placing accounts on demand means that the whole of the loan amount outstanding becomes payable. Its removal from the portfolio reduces the arrears, but the managers withhold the payment variance advice input forms to show an improved arrears position and increased profitability, particularly the interest returns ratio.

Finally, the annual budget preparation process enables profit-centre managers to secure budget targets that are easy to attain within the management by objectives (MBO) framework. The budget preparation process requires participation between head office and profit-centre managers, who submit their estimates to the head office for review and approval. Normally, this process takes several months of negotiation before mutually agreed targets are arrived at. Several profit-centre managers indicated that they were able to exercise their powers because their 'better knowledge' of their local environment enabled them to settle for a budgetary level with which they were pretty comfortable. In this way they were able to build sufficient leeway into their budgets.

It is thus clear that even with the introduction of the new corporate plan, profit-centre managers retain the capacity (power) to manipulate the LMIS data (i.e. to act otherwise) for self-beneficial purposes. The branch managers have control over important data from which the LMIS indicators are produced. Because, as custodians of those raw data, they choose to withhold or manipulate them, they can be seen as having power to influence the actions of their superiors within the dialectic of control. Their having detailed knowledge of the spatio-temporal settings (branch situation), including knowledge about the clients, and being in control of the raw data, places the subordinate managers in a position to influence the behaviour of their superiors. This asymmetrical distribution of resources lies at the centre of the operation of the dialectic of control, which when drawn upon, reconstitutes the structure of domination.

Discussion

The paper demonstrates the operation of the dialectic of control in practice, drawing upon the case of the Fiji Development Bank. Although one cannot generalise from the empirical data presented, the case does sensitise one to the deterministic means-oriented fallacy characteristic of MACS currently in practice. The taken-for-granted image of MACS as bringing about cohesiveness, integration and stability is not borne out by the case presented, as knowledgeable, skilled organisational actors (the profit-centre managers) do retain the capacity to act otherwise in their own best interests. It has been argued in this paper that the concept of the dialectic of control certainly has empirical relevance, and can be used to make researchers in management control more sensitive to the relational nature of power in organisations. In the organisational setting, power presumes regularised relations of autonomy and dependence between superior and subordinates. Nevertheless, the subordinates always retain the capacity to act otherwise and make a difference to the existing state of affairs, since they also have access to some allocative and authoritative resources, even though asymmetrically distributed. Thus superordinates and subordinates are related in the dialectical sense, each depending on the other for outcomes, while at the same time negating the other (Scapens and Macintosh 1996). This is in-built into the organisational hierarchical relationships and operates at every level within organisations. As argued, no management control and reward systems can completely eradicate the operations of the dialectic of control, as subordinates retain the capacity to develop new means of exploiting the control potentials. For instance, within the FDB the introduction of the new corporate plan, with its list of comprehensive primary and secondary performance indicators, has led the profit-centre managers to discover new ways of making their performance look good, in the cause of promoting their own self-interest.

The notion of the dialectic of control in social systems is connected to structural contradiction occurring through inconsistencies in the institutional alignments of social systems (Giddens 1984; Cohen 1989). Structural contradiction means that 'structural principles operate in terms of one another but yet also contravene each other' (Giddens 1984: 193). Any given social system may incorporate two kinds of structural contradiction: primary and secondary.

> By primary contradictions I refer to those which enter into the constitution of societal totalities; by secondary contradictions I mean those which are dependent upon, or are brought into being by, primary contradictions. (Giddens 1984: 193)

Secondary contradictions, such as the dialectic of control, arise as a consequence of the primary contradiction. The intention here is to emphasise that both primary and secondary contradictions are sources of ongoing conflict and tension in organisational interaction processes, since conflict and contradiction do tend to coincide (Giddens 1984). The case study has also demonstrated the nature of the conflict, struggle and tensions that have existed between the GMO, regional managers and branch managers within the dialectic of control. The GMO's rejection of promising proposals on the basis of his version of 'reality' affects profit-centre performances in the key result areas, but the profit-centre managers are never powerless. As knowledgeable agents they can resort to practices such as bypassing the prescribed channel, setting easy targets, write-offs, transfer to Special Projects, manipulation of provision numbers and disbursing undrawn balances to show good performances. Indeed, the record shows they have done so. Whether these actions are ethically correct or morally justifiable in resisting the oppression and exploitation by the top executives is a different matter, beyond the scope of this paper (see Macintosh 1995 for details).

Conclusion

The concept of the dialectic of control in Giddens' structuration theory has sensitising potential for understanding the dialectical nature of management accounting and control, and its role in organisations. The capacity that subordinate managers retain to bring about budgetary slack, income smoothing, and manipulation of performance indicators and accounting numbers can be explained within the context of the dialectic of control. By being intimately connected to the social system's structural contradiction, the resulting conflicts, struggles and tensions between superordinates and subordinates in organisational interaction processes can be more easily captured.

Structuration theory is concerned with the interplay of agents' actions and social structures in the production, reproduction, transformation and regulation of any social order. Structures located outside time and space are drawn upon by agents as they act and interact in spatio-temporal settings, and are themselves the outcome of those actions and interactions. This is known as the duality of structure. The structuration of relations in time and space takes place along the dimensions of signification, domination and legitimation, which are inextricably intertwined, and agents draw on these dimensions as an integrated set. Macintosh and Scapens (1990) argue that management accounting and control systems (MACS) are modalities of structuration in these three dimensions. In the signification dimension, MACS are seen as interpretive schemes used to interpret past performance, take corrective actions and make future plans. In the domination dimension, MACS are viewed as a facility that managers at all levels use to co-ordinate and control other participants. MACS within the legitimation dimension communicate a set of values and ideals about what is approved and what is disapproved, what ought to happen and what ought not to happen, and so on. The focus of this paper has been on the domination structure, which involves resources that agents draw upon to reproduce the structure of domination, with particular emphasis on contradictions. The relational nature of power, arising because of asymmetrical distribution of resources, is the reason for the universal presence of the dialectic of control that is built into the very nature of human agency. As agents draw upon the more or less numerous and effective forms of resources available to them during the course of interaction, the relations of autonomy and dependence are reproduced or reconstituted.

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Notes

1 The first is the subjectivist approach, looking for the subject of power, and asking: who has power? The second is referred to as the integration approach, focusing on power to command and social integration, and asking: power to do what? The third is the historical materialist approach, looking at the production of systems of power, and asking: what are the sources and effects of power? The fourth approach is the analytic of relations of power, which focuses on the specific technologies by which power is exercised through its intersection with knowledges.

2 The common dictionary meaning of dialectic relates to the art of investigating the truth of opinions by discussion, disputation and resolution, It also relates to the opposition of the objectivist approach to social science, in favour of a more interpretive or subjective approach. In a Hegelian sense it means the 'synthesis' of two equally compelling opposite arguments, each based on a comprehensive set of facts and reasons (thesis and antithesis). It also refers to the process of contradiction and resolution, which need not necessarily be characterised by opposition or antagonism, but as Giddens (1984) argues, contradiction and outbreaks of conflict do tend to coincide.

3 As used in the paper such knowledgeability refers to the fact that organisational actors know a great deal about the conditions and consequences of what they do in their daily lives. They are also able to describe discursively what they do (including lying about it) and offer reasons for doing it. The knowledgeability of human actors should be seen as bounded on the one hand by the unconscious, and on the other, by unacknowledged conditions and unintended consequences of action.

4 These are:

- the existence of an objective or standard that is desired;
- the measurement of process outputs as specified by the objectives;
- the ability to predict the effects of potential control actions;
- the ability to act in such a way as to reduce deviations from the objectives.

5 Allocative resources refer to material resources in the generation of power, including the natural environment and physical artifacts; allocative resources derive from human domination over nature. Authoritative resources refer to non-material resources in the generation of power, deriving from the capability of harnessing the activities of human beings; authoritative resources result from the domination of some actors over others (Giddens 1984: 373).

6 Coupling constraints refer to biologically established conditions of human corporeality that influence activities agents undertake jointly with others. For example, the limited range of sensory and communicative faculties of the human body determines the effective perimeter in which full presence-availability may be maintained. Capability constraints refer to a variety of corporeal and physical conditions that shape opportunities for agents to come together, for example, the limited capability of human beings to participate in more than one task at the same time, or be at two different places at the same time.

7 Eighteen interviews were conducted (fourteen profit-centre managers, three general managers and the managing director).

8 The UK-based consulting firm that designed the new corporate plan for the FDB.

9 Non-performing accounts are those that are in arrears for more than four months. Non-earning accounts are those on which interest is frozen.

10 A diminutive used to refer to members of the Indo-Fijian business community in Fiji known as the Gujaratis, who came from Gujarat State in India.

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