The Role of Accounting Control Systems in the Show Caves in Greece

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Declaration

This work or any part thereof has not previously been presented in any form to the University or to any other body whether for the purposes of assessment, publication or for any other purpose. Save for any express acknowledgements, references and/or bibliographies cited in the work, I confirm that the intellectual content of the work is the result of my own efforts and no other person.

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Abstract

The thesis uses the New Institutional Theory of Sociology (Di Maggio and Powell, 1983, 1991) to examine how accounting informs decision making in the Greek show caves. The study focuses on four show caves selected out of the eight main shows caves operating in Greece. Three of the studied caves are owned by the local municipal council (one jointly with a prefectural council) and the fourth by the Anthropology Association of Greece. Data is gathered from multiple sources via questionnaires, semi-structured interviews, discussions and documentary evidence focusing on the role of accounting information in the day-to-day operation of the show caves.

The first major finding of the thesis is that within the four studied organizations accounting reports are minimally used as key management, planning and control tools, similar to Greek organizations generally. This is not surprising given that prior research has suggested that Greek managers tend to prefer information from other, informal sources in decision making (Ballas, 1994). Formal accounting information was therefore subservient to information generated from informal sources in these organizations.

Second, institutional change affects the decision-making process in the management and operation of the show caves. This influenced how accounting information is deployed in the day-to-day decision making of the caves. The findings of the thesis challenges the justification for these external influences observed on decision making in the management and operations of the show caves. These external influences resulted in the minimal use of accounting information to support day-to-day decision making of the organizations studied. The study therefore questioned why these accounting systems were designed in the first place if they were not going to be used in practice. Institutional Theory analysis however provided an answer to this question. In effect these accounting systems though serve minimal rational purposes, were designed in order to maintain institutional legitimacy and cultural support (Powell and DiMaggio, 1991).

The thesis supports prior research which had proposed New Institutional Theory as a valuable framework for understanding the organizational context of the use of accounting information in decision making. The thesis found that New Institutional Theory offered some relevant explanations for how the institutional environment of the organizations inclined them to use accounting control systems. Institutional theory is particularly important here because it provides explanations for changes in organizational practices such as accounting control practices.

Dedication

I dedicate this thesis to my late father Dimitris. I believe that his spirit will lead me to finish my research. May God give him a nice place in Heaven.

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I wish to thank my family for their support, especially my mother, my brother George, my sister Athena and my fiancée Vicky.

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Chapter One
Introduction

1.1 Background of Study

The tourism sector is one of the foreign exchange earners in the Greek economy. However, Greece lags behind other major tourist destinations in Europe such as Spain and France in terms of attracting tourists. In recent years, the Greek government has committed itself to developing the tourism sector so as to make it more competitive. The show caves are major tourist attractions in Greece, attracting over 500,000 visitors per year contributing significantly to the economy in terms of government revenue and employment. They are thus very significant in the drive to develop the tourism sector in Greece.

During the last decades, tourism has been transformed into a source of income of primary significance for Greece apart from agriculture, and the industrial and shipping sectors. The significance of the tourist sector in Greece was shown over 50 years ago when the Greek government established tourist branches in western countries. The organization managing the offices, namely, the Greek National Tourism Organization (GNTO), made great efforts to became the major national agency for tourism policy. This lead to the development of tourism in Greece because the agency's role was to be involve in planning, promotion, education, construction and management of accommodation and infrastructure, and to provide financial assistance to private tourism businesses.

As part of this effort the show caves became major tourist attractions thirty years ago, contributing to the national economy in terms of revenue and employment as well as to rural development because all are situated in rural areas. This development of the show caves did not result in any interest by academics or professional bodies in the processes of decision making in these organizations. In addition, government made no effort to understand the decision-making processes because it was concerned with conducting research into the major tourist companies and hotels.

The aim of this research is to investigate the role that management control systems play in decision making in the show caves. Specifically, the study explores the diverse decisions made in the show caves and how accounting information supports such decisions. The research is based on (1) a survey of all eight show caves in Greece, and (2) intensive case studies of four of these. Theoretically, the research draws on the New Institutional Theory of Sociology (DiMaggio and Powell, 1983; 1991). In particular, the study examines how decision making and the use of accounting information in the show caves is shaped by the diverse institutional factors within which these organizations operate.

Despite the importance of the show caves to the Greek economy, to date there has been little empirical research into the decision making of these organizations. This study addresses this limitation by providing empirical evidence on how accounting information informs day-to-day decision making in the show caves. The area of study is presented in Figure 1.1 below.

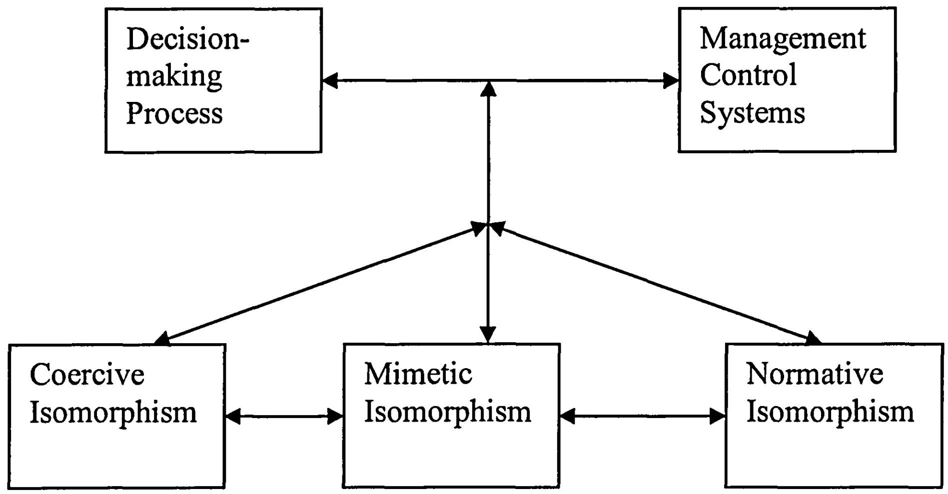

Fig. 1.1 Area of Study

In Figure 1.1, it is argued that management controls play key roles in the decision-making process of an organization. While management controls impact on the outcome and process of decisions, the type and nature of decisions also influence the design and use of management controls. It is, however, argued that the role that management controls play in the decision-making process is shaped by diverse institutional factors. DiMaggio and Powell (1983) identified three main forms of institutional change or "isomorphism": coercive, mimetic and normative. As argued by DiMaggio and Powell (1983), in practice these three isomorphic changes are likely to be interrelated. The remainder of this section briefly explains the main issues in the area of study as identified in Figure 1.1.

1.1.1 Decision Making and Management Controls

Several authors have distinguished between short and long-term decisions (Arnold and Hope, 1983; Drury, 2000). Short-term decisions are those in which the time-value of money becomes insignificant, such as pricing and product mix decisions. Long-term decisions on the other hand are those in which the time value of money becomes significant (such as capital investment decisions) and decision-making techniques based on the maximization of Net Present Value (NPV) of expected future cash flows are recommended. Management controls, which refers to the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives (Anthony, 1965), are essential in both types of decisions. Management controls are thus an important tool for those who manage organizations as it assists them in making decisions about the future aims of the company, and controlling the application of the decisions they have made.

Lowe (1970) views the role that management control systems play as a broad mechanism, designed to assist organizations. Thus management control is a system of organizational information that both seeks and gathers accountability and feedback, and is designed to ensure simultaneously that an enterprise can adapt to changes in its substantive environment. It also focuses on how the work behaviour of an organization's employees is measured by reference to a set of operational sub-goals.

Beer (1975) observed that the essential function and purpose of having managers in an organization is to ensure that all the activities undertaken contribute towards the attainment of the overall aims or objectives of the organization, but that above all, management control provides managers with information so they can carry out their responsibilities. Similarly, Arnold and Hope (1983) argued that information is provided to those who are responsible for managing businesses and other economic organizations through management accounting systems, in order to help them in making decision about the future of the organization and in controlling the implementation of the decisions they make.

Zimmerman (1997) argued that management control systems, which are an important component of a firm's information, include budgets, data on the costs of each product and current inventory, and periodic financial reports. He argues that the scope of an internal accounting system is to (1) provide some information needed for planning and decision making, and (2) to monitor and to help motivate people in organizations. Libby and Waterhouse (1996) observed that accounting information systems are needed to improve decision support information. The argument presented so far thus suggests that management control systems are vital in the managerial decision-making process. However, the extent to which management controls support various managerial decisions is shaped by diverse institutional factors.

1.1.2 Institutional Isomorphism

Institutional researchers believe that the design and operations of management control systems are shaped by the institutional environment of the organization. Institutional theory is particularly important because it provides explanations for changes in organizational practices such as management control practices. These changes are referred to as isomorphism (DiMaggio and Powell, 1983). According to institutional theory, there are three mechanisms of institutional isomorphic change that affect decision making, namely coercive, mimetic and normative isomorphism, as shown in Figure 1.1. Coercive isomorphic change occurs when government or other authorities or organizations that the organization depends on mandate that certain practices be adopted. Mimetic isomorphism describes changes in organizational practices in response to uncertainty whereby organizations attempt to model themselves on other organizations in their field which they perceive to be legitimate or successful. Normative isomorphic change occurs when individuals model their behaviour in terms of norms prescribed by society or professional networks they are involved with. In all, these forces will shape the way management controls are used to support organizational decisions.

1.2 Aims and Objectives of the Study

The aim of this research is to investigate the role of management control systems in decision making in the show caves. The study will contribute to understanding the decision-making processes and operations of the show caves, and will further examine how the competitiveness of the show caves can be enhanced through management accounting systems. Thus, the study will address whether accounting information can be used to improve management decisions in the show caves. The study will therefore be useful to the management of the show caves and policy makers in Greece in general.

To achieve the aims of the research the study has the following objectives:

1. To investigate the decision-making process in the show caves;
2. To examine how accounting data is needed in supporting day-to-day decision making in the show caves; and
3. To investigate the diverse institutional factors that influence decision making and the use of accounting data in the show caves.

1.3 Specific Research Problem

During the second half of the 20th century, Greece has experienced significant changes on several levels of economic, social and cultural life which are associated directly or indirectly with the rapid growth of tourism. For approximately the last three decades, Greek tourism has been the subject of investigation both by government agencies and by scholars. Research carried out by Galani-Moutafi (2004) examined the directions and methodological practices of tourism in Greece. The author highlighted critical issues in the management of the tourism sector.

One of the tourism areas not much research has been focused on is the decision-making process in the show caves. Thus the operations and the management process of the show caves are minimally understood due to a lack of empirical research. For instance, the ownership of the show caves varies. Six out of the eight show caves are owned by the local municipal councils (one jointly with the local prefectural council), one by the Greek Government, and one by the Anthropology Association of Greece. The management of the municipal and state controlled show caves is very politicized as a change in government usually results in changes in their decision making. The municipally controlled caves are, for example, controlled by the respective mayors, who are elected in local elections. A change in mayor normally results in changes in policies and this often has significant implications for the management and operations of the show caves. Different municipal governments have different emphases for the show caves in their budget allocations.

The ways in which managers in the show caves use accounting information in performing their day-to-day decision making is an empirical question which this thesis seeks to address. As mentioned above, some researchers have argued that accounting information is minimally used in decision making in Greek organizations as their managers often tend to prefer information from informal sources (Ballas, 1994). Thus the specific research questions that the study will attempt to address are:

1. How is accounting information used in the management and operations of the show caves?
2. How does the national and local political environment in Greece shape decision making, operations and the role of accounting information in the show caves? Thus, do political authorities influence operations, decision making and the uses of accounting information in the show caves?
3. What role do professionals play in decision making, operations and the use of accounting data in the show caves?
4. How are decision-making operations and the uses of accounting information in the show caves driven by attempts to imitate other organizations?
5. What are the similarities and differences in the operations, management and uses of accounting information between the show caves?

Research questions 2, 3 and 4 are based on institutional theory, which is discussed in Chapter 3.

Some terms used in the thesis need further explanation. These terms are listed in Appendix 5 and are defined in the context in which they are used in the thesis.

1.4 Structure of the Thesis

The thesis is organized into eight chapters as follows:

Chapter One, the introductory chapter, describes the background of the study, its aims and objectives, the specific research questions asked, the definition of terms, and finally the structure of the thesis.

Chapter Two reviews the literature on the role of management accounting systems in decision making. The first part of the review focuses on the role and usefulness of accounting information in organizational decision making, and the following two parts examine two key roles of organizational accounting systems in terms of budgeting and performance evaluation respectively. Other issues examined in Chapter Two include the role of accounting information in small business decision making, and the role of accounting information in the tourism sector.

Chapter Three presents the theoretical framework of the thesis. The chapter discusses the New Institutional Theory, which is the theory that underlies this study. The chapter also presents arguments for selecting institutional theory as the theoretical framework for the study.

Chapter Four presents the research methodology, detailing the procedures followed in conducting the study. The first part discusses the value and limitations of case studies as a research methodology, the second part examines the research method and evaluates its appropriateness in this context, the third part examines the mode of selecting the organization and the final part of the chapter presents the approach followed in gathering data.

Chapter Five briefly reviews the Greek Tourism sector. The first part of the chapter focuses on the role and usefulness of tourism in the Greek economy, the second part focuses the contribution of tourism to the Greek economy, the third part shows the characteristics of employment in tourism, the fourth part shows the development of

Greek tourism, the fifth part the contribution of the show caves as a tourist attraction while the final part presents a chapter summary.

Chapter Six presents the case results including the background of the organizations and their decision-making structure.

Chapter Seven discusses the case results in line with the theoretical framework adopted for the study. The first part of the chapter examines the management-accounting system used by the organizations. The second part then discusses the influences from the institutional environment on the organizations. Finally, the chapter discusses the decision-making process and isomorphic change within the organizations.

Chapter Eight, the concluding chapter, provides an overview of the research methodology and integrates the findings of the thesis into the existing literature. Finally, the chapter identifies the thesis' contribution to the advancement of knowledge and ends with recommendations for future research.

Chapter Two

The Role of Management Control in Organizations: Literature Review

The aim of this chapter is to provide a critical review of the relevant literature. The chapter is divided into seven sections. Section 1 provides a definition of management control. Section 2 reviews the literature on the role of accounting information in organizational decision making. Sections 3 and 4 review the literature on budgets and performance evaluation, which are two major elements in the management control process. Section 5 reviews the literature on accounting and decision making in small businesses while Section 6 reviews the role of accounting information in tourism enterprises. Section 6 provides a summary.

2.1 What is Management Control?

The purpose of this section is to review the literature on what management controls are and what roles they perform in organizations. Management control systems have been defined differently in the literature. Berry et al. (1995), for instance, viewed management control systems as the process of guiding organizations into viable patterns of activity in a changing environment. Similarly, Emmanuel et al. (1997:8) construed management control systems as "concerned both with strategic issues (the general stance of the organization towards its environment) and with operational issues (the effective implementation of plans designed to achieve overall goals)".

According to Chenhall (2003) the terms Management Accounting (MA), Management Accounting Systems (MAS), Management Control Systems (MCS) and

Organizational Controls (OC) are sometimes used interchangeably. Chenhall noted that the term MA refers to the organization's practices such as product costing or budgeting, while the term MAS refers to the systematic use of MA in order for the organization to achieve some goal. Finally, MCS includes MAS and other forms of controls such as personal control. Furthermore, organizational control refers to control activities and processes such as just-in-time management and statistical quality control. Chenhall (2003) also argues that MCS in recent years has not only focused on the provision of formal and quantifiable financial information but also on external information such as competitors, non-financial information, customers, markets and informal personal and social controls.

Anthony (1965) observed that management control is the process that links strategic planning and operation control. Anthony defined management control as the process by which managers ensure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives. This definition gives rise to some problems. First, the problem arises of defining strategies, goals and objectives. Otley et al. (1995) argued that Anthony had avoided taking the problems of ambiguity and uncertainty into further consideration when he located these issues in the domain of strategy. The second problem concerns the methods used to control the production processes, which is highly dependent upon the specific technology in use, which are widely divergent. Furthermore, Otley et al. (1995) argue that Anthony's approach could thus be seen as a preliminary ground-clearing exercise, whereby he limits the extent of the problems he sets out to study. Otley et al. (1995) add that in such a complex field, Anthony's approach was probably a very sensible first step, though it greatly narrowed the scope of the topic.

The roles that management control systems perform in an organization have been discussed in the literature. Emmanuel et al. (1997) perceived management control systems as aiding rational decision making by providing information for planning and controlling as well as for identifying and solving problems. Management control systems thus assist in the efficient allocation of resources, monitoring costs, strategic planning, feedback control and performance evaluation (Chua, 1988:7).

2.2 Role of Accounting Information in Decision Making

In this section, a literature review of the role of accounting information in decision-making processes is provided. This is necessary to lay the foundation for investigating how accounting information is used to support various types of decision in the organizations studied.

Lev (1974), commenting on the relevance of accounting information, observes that in order to indicate the relative usefulness of the various possible systems and also to assist the analyst in choosing the optimal system, certain criteria are obviously required for the design and selection of the information systems. Lev (1974) stated that in principle that criterion was straightforward, supporting also the position that the optimal information system was the one that maximized the decision maker's expected utility when it was used. Lev finally deduced that the information value of a system is utterly dependable on the specific model used by the decision maker.

Gordon et al. (1978) conducted research on the conceptual links between the strategic decision process and the specific information needed to facilitate such a process. Gordon et al. (1978) addressed the issue of designing accounting information systems in order to facilitate the decision-making process. Apart from that, if an information system is to be of maximum value, the decision process itself should also be considered, even though the literature on accounting systems has traditionally been concentrated on the inputs and outputs of decision making.

Dirsmith and Lewis (1982) hypothesized that the decision impact of the act of communicating information was conditioned by the extent to which information senders perceive external recipients as relying on accounting information and by the cognitive style of the information sender. In order to obtain their results, Dirsmith and Lewis distributed a questionnaire to corporate managers and to independent auditors to provide support for accepting both of these hypotheses. Moreover, Dirsmith and Lewis (1982) argued as well that behavioural research in accounting had largely been concerned with examining the effects accounting information had on its recipients. They also added that despite its potential importance, the area that concerned the process by which the behaviour of the information sender might be influenced by the act of communicating information to recipients had received little attention.

Emmanuel et al. (1985) emphasize in their research the importance of recognizing the fact that accounting control systems exist within all organizations and thus reflect some major underlying issues of organizations. It is widely accepted by researchers that the essence of managerial work is not only to monitor and control individual activities, but also to coordinate them in such a way that overall purposes can be achieved. Similarly, Horngren and Sundem (1990) note that accounting information is a formal mechanism for gathering and communicating data for aiding and co-ordinating collective decisions in light of the overall goals or objectives of an organization.

It has been argued that the theories of choice, as reflected in micro-economics, game theory or statistical decision theory are incomplete and potentially misleading bases for thinking about and modifying the design of information systems, including accounting systems (March, 1987). March reached this conclusion after conducting behavioural research on the ambiguities surrounding individual and organizational decision making. March (1987) argued that strategies for seeking, organizing and utilizing information as embodied in decision theory are tied to contemporary ideas about information engineering. He also observed that the portrayal of decision making and information found in decision theory ignores or significantly underestimates the ambiguities of choice, as behavioural studies of decision making in organizations have shown. March finally concluded that conceptions of decision making and information that blend the traditions of theories of choice with an understanding of traditions of history, culture and literature, might be highly useful for understanding the role of accounting information.

Payne et al. (1993) describe decision making as a function of the context, the problem and the person. Contextual variables recognize differences in the decision environment (e.g., accountability and group membership) that could influence how the decision maker interprets the elements and demands of the decision task. Problem variables include differences in decision attributes (e.g., number and similarity of decision alternatives, reference points and framing effects) and differences in decision cues (e.g., information display and presentation order). Personal variables represent differences in decision-making skills associated with different levels of task knowledge and problem-solving ability. These variables interact to determine the strategy used for making a decision. Accounting information facilitates the interaction between decision makers, context and decision problems.

Balakrishnan et al. (1997b) argued that many successful organizations constantly become accustomed to the environment in which they operate and finally change their environment. Moreover, they stated that many organizations merge, grow and acquire other organizations and change leadership styles. The result of this is that these changes influence management accounting in two ways. The first way is that management accounting information should first and foremost help organizations change. Second, management accounting information should help organizations recognize the need for initiating change and also suggest the appropriate response to an environmental change. Apart from that, it is equally important that management accounting should avoid inhibiting change.

Balakrishnan et al. (1997b) also argued that management accounting systems can restrain change by focusing on performance measures that maintain the status quo and discourage experimentation. Besides this, a change in management accounting information should take place in response to environmental change. While Balakrishnan et al. (1997b) focused on how accounting can aid change, environmental change also affects management accounting. Lavoie (1987) and Gowler and Legge (1983) argued that accounting is a communication tool and is therefore the language of business. This analogy is familiar; as spoken languages respond to cultural and societal changes, accounting systems must also respond to organizational and environmental change.

Furthermore, the research conducted by Balakrishnan et al. (1997b) focused on external influences on management accounting systems. The two broad themes which they explored were (1) the processes by which systems adapt to transformations within their organization, and (2) the empirical association between changes in the environment and changes in accounting systems. Moreover, they broadly defined organizational structure as the ways in which organizations organize resources to achieve some end. Management accounting can thus be viewed as the information support system that best facilitates communication, motivation and performance evaluation within a variety of organizational structures. As such, management accounting research efforts have been, and should continue to be, directed toward defining the factors that affect choices among information system options.

Decision making using management accounting information occurs in a wide variety of decision settings. For example, constructing effective incentive and control systems requires an understanding of how the information from management accounting systems affects decision making. Moreover, Boyd et al. (2002) in their research compare the results of using four different cost accounting systems in a resource-constrained production environment in order to make two categories of decisions that managers frequently use cost accounting information to make. The research found that the through-put accounting model in all cases made the same decision as the linear programming model, but the other three cost accounting systems generally produced suboptimal results.

According to Wouters and Verdaasdonk (2002), accounting information may teach managers about possible alternatives and their consequences before they make their decision. They argue that if objectives are clear, but the consequences of a decision are unclear, accounting information is valuable in reducing uncertainty. They further argue that it is unlikely that accounting information could be considered as a useful tool for every decision problem. Therefore, management decisions have different dimensions, and trade-offs between these dimension must be made.

Thompson and Tuden (1959) note the different roles which accounting and other organization systems serve in organizations. The authors distinguished between two types of uncertainties: (1) the objectives for organization action, and (2) the uncertainty over the patterns of causation, which determines the consequences of action. Galbraith (1973) shows that uncertainty reduction can be achieved by the introduction of an information processing mechanism, including accounting information. Simons (1990) identifies two general categories of decision variables: (1) differences between decision environments, and (2) differences among decision makers. Accounting information is inherent in both types of decision variables.

Abernethy and Vagnoni (2004) examine empirically the impact of authority structures on the use of accounting information systems (AISs) for decision control and decision management. Abernethy and Vagnoni's model was designed to enable an assessment of the relative impact of formal authority, which stems from allocation of decision rights, and informal authority, which stems from individual power and influence. Abernethy and Vagnoni's study was based on a large public teaching hospital in Italy, where they gathered information from physician managers. The results supported the hypotheses and demonstrated the consequences of power on organizational functioning. Based on their findings, Abernethy and Vagnoni indicated that the delegation of formal authority to physician managers not only had a direct impact on the use of accounting for decision control and decision management, but it also had an important effect on the cost consciousness of physician managers.

In contrast, Gilmore and Pine (1997), Lampel and Mintzberg (1996) and Anderson et al. (1997) argued that managers have to make complex decisions because of shorter product life cycles, a greater variety of products and services, and a greater number of different markets and distribution channels. Such decisions would require more timely accounting information incorporating external and non-accounting data and focusing on a range of functional areas and decisions (Chenhall and Morris, 1996; Chong, 1996; Gul, 1991). According to Chong (1996), accounting information may enable the managers to understand their tasks more clearly and reduce uncertainty before making their decisions.

Macintosh (1985), Chapman (1997) and Burchell et al. (1980) argue that accounting information systems may have the function of a "learning machine". These systems are interactive and provide a variety of information on current performance. The accounting information systems also have the ability to analyze information in many different ways. However, research has generally shown that managers are often not satisfied with accounting information (McKinnon and Burns, 1992). Karmarkar et al. (1990) and Sullivan (1983) note that managers often do not consider accounting information as a very useful tool for decision making and would prefer to have better information. Other researchers have even argued that there are situations when managers do not use accounting information to evaluate decisions. Scapens et al. (1996) and Sillience and Sykes (1995) found that certain important decisions are made by managers without using accounting information. Mouritsen and Bekke (1999) provide instances where decisions were based on consequences of the dimension of time, rather than on accounting information.

This argument is similar to Galbraith (1973), who notes that accounting information is an imperfect representation of the underlying decision problem, since not all aspects involved can be quantified perfectly in financial numbers. Chapman (1997) argues that accounting information is at a disadvantage because it is an abstract and incomplete translation of real life processes and problems into numerical form. Accounting information is thus weak in representing the full richness of operations problems, solutions and decisions. Scapens (1984) found in his survey that while accounting plays a significant role in major company decisions such as cost classification, cost-volume-profit, product mix, inventory and working capital, pricing and capital investment, such problems are usually simplified for the purposes of analysis so as to eliminate uncertainty and to deal only with situations where complete information exists. In an attempt to simplify reality, important and complex issues are often ignored.

The limitations of accounting information in organizations have led accounting researchers to explore how accounting information can be improved to assist managers make better decisions. Macintosh (1985), for instance, argues that accounting system designers should provide information to decision makers in a format that is compatible with cognitive style. In contrast, Otley and Dias (1982) found that cognitive style had no discernible effect on accounting information use, although such null results may be a consequence of the fact that most managers tend to be highly analytic types and that the sample selected did not show sufficient variation.

Atkinson et al. (1997), commenting on the role of accounting in organizational decision making, noted that scorecard keeping is one of management accounting's traditional roles. This role has evolved to support both the standard engineering control paradigm and the organization control paradigm. The engineering control paradigm consists of setting a target, undertaking a course of action, measuring the result, comparing the result to the target, and responding to the variance between the result and the target. In this view, the role of a management accounting system is to develop standards and budgets, and compute variances. Implicitly, this paradigm adopts a steady-state view of the organization and, thus, gives little impetus for initiating change. In contrast, the organization control paradigm views the organization as an open adaptive system. In this view, managers rely on the management accounting system to identify and communicate the important external and internal information that they need to recognize and adapt to environmental changes.

Decision making using management accounting information occurs in a wide variety of decision settings. As a result, constructing effective incentive and control systems requires an understanding of how the information from management accounting systems affects decision making. Organization structure and management control systems design has focused on the impact of competing strategies and their influence on why and how organizations bundle their resources. Management accounting researchers (Govindarajan and Fisher, 1990; Govindarajan and Gupta, 1985; Gupta and Govindarajan, 1986; Noreen, 1991; Otley and Wilkinson, 1988; Simons, 1990) have focused on the form of management accounting techniques best suited to specific competitive strategies. An important behavioural perspective is to understand how competitive strategies affect or determine how organizations use management accounting techniques.

2.3 Role of Budgets in Organizations

The purpose of this section is to review the literature on the roles of budgets in organizations. This is necessary as budgetary controls form major parts of management controls. Emmanuel et al. (1985) argue that nearly all organizations of any size have some sort of system of budgetary planning and control, even if it is used solely for financial planning and control rather then overall management control. Budgets are known to play different roles in organizations, such as: (1) a system of authorization; (2) a means of forecasting and planning; (3) a channel of communication and coordination; (4) a motivation device; (5) a means of performance evaluation and control; and (6) a basis for decision making. Emmanuel et al. (1985) note that budgetary information is used in problem solving because relevant information for decision making must refer to the future. Past actual results are useful only as a basis for making future predictions, and the budget, together with the production plans and standard costs on which it is based, often forms a convenient source of relevant information.

The first studies of budgeting stemmed from a concern for the individual who was seen as being potentially vulnerable to the impact of impersonal systems of budgetary control from senior levels in the hierarchy (Argyris, 1952). Argyris pointed out that there is a distinction between the effects of the technical characteristics of accounting systems and the effects of the style used by superiors to employ management information and budgets. Argyris investigated the way in which financial controls are used, and the attitudes of budget officers and superior managers.

Argyris' (1952) findings show that budgets should include challenging targets to act as a powerful tool in order to motivate employees towards greater productivity. He also concluded that budgets were seen by inferior employees as pressure tools used by superiors managers, in response to a belief that inferiors are essentially indolent and find work unpleasant. As a result, Argyris' research showed that the type of information system used was capable of causing tension, suspicion and mistrust amongst the inferiors. These effects were possible regardless of the degree of technical refinement of systems. This behaviour is well known as dysfunctional and may lead to the extreme case of conflict and tension between inferiors and superior managers.

Argyris (1952), Schiff and Lewin (1968) and Lowe and Shaw (1968) all provide evidence to suggest the tendency of managers to bias budgets for control purposes. In Argyris' (1952) article, budgetary bias is defined as a deliberately created difference between the budgeting actors' forecast about the future and his/her submitted budget future. Three main areas of budgetary behaviour are distinguished: first, behaviour affecting the standards; second, behaviour affecting the reported results; and third, operative action affecting actual performance.

In order to avoid organizational conflict and tension, Macintosh (1994) stated that supervisors should participate in making or changing the budgets that affected them, in a genuine and not a quasi fashion. Another, alternative, suggestion was to bring all the supervisors together in small face-to-face groups. Here, supervisors could confront each other and their mutual problems, and reveal their own feelings, attributes and values toward budgets, in order to form new budgets. Macintosh (1994) stated that Argyris' (1952) research could be recognized as a seminal work, adding also that an avalanche of further research into the impact of management accounting systems, based on human relations of managers and employees, was stimulated by the specific research.

Otley, Broadbent and Berry (1995) conclude that the budgetary bias is understood as an ex-ante concept. Accordingly, biasing is a way of affecting the standards against which performance will be assessed. Biasing is also a subjective phenomenon, because every actor usually has his or her own unique picture of the possibilities of future economic performances, which are always subject to uncertainty. Demski (1967) and Anderson (1974) distinguished ex-post as the basic difference between the budget and the actual result in terms of (1) the estimation error, which includes the unintentional bias discussed by Otley; (2) budgetary bias; and (3) real inefficiency and ineffectiveness. Budgetary bias can further be divided into two components: (1) budgetary slack, which occurs when the budget figure has been intentionally made easier to achieve in relation to the forecast; and (2) upward-bias, which refers to the opposite kind of biasing to the deliberate overstatement of expected performance in the budget.

Hofstede (1968), conducted research into the role of budgets within U.S. and European organizations and concluded that budgets were extensively used in performance evaluation and control in the U.S. organizations. These budgets were associated with negative feelings on the part of many managers and dysfunctional consequences to the organizations. In contrast, the European experience reveals that budgets were seen positively but were infrequently used. On the other hand, there was an increasing interest in the behavioural consequences of control systems operation.

The use mode of the budgetary system has been studied a great deal since the 1970s. Most of the studies have analyzed the effects of different kinds of budgetary systems used on decision-making performance and on certain organizational and psychological factors (Govindarajan, 1984; Hirst, 1981; Hopwood, 1972; Otley, 1978). Hopwood (1972) found that in the evaluation of managerial performance, managers adopt three different styles of using budget and actual cost information, and these are discussed in the next section. He observed as well that managers evaluated under this style reported very high levels of job-related stress and tension, and poor relationships with both their colleagues and superiors, and that they exhibited a tendency to manipulate the accounting information that formed their budget reports. Hirst (1981) notes that when there are conditions of high uncertainty, accounting standards of performance will be a less complete description of adequate job performance. Govindarajan (1984) also suggests that if there is a high degree of uncertainty, managers are evaluated in a more subjective way.

The general opinion in the budgeting literature is that budgets affect the motivation to perform in two ways. First, budgets always have the role of targets; having targets motivates the actors, especially if the targets are internalized. The use of participation budgeting systems is important in achieving such internalization (Otley, 1978). Second, the motivation impact of budgets can be reinforced by linking the reward system to budgetary control (e.g., Amey and Eggington, 1973; Otley, 1978). Such motivation impact of this link needs to be understood in terms of a larger framework such as the expectancy theory of managerial motivation (Ronen and Livingston, 1975; Vroom, 1964).

Budgeting is also related to the issue of power in organizations. According to Bacharach and Lawler (1980), two important types of power may be distinguished: authority and influences. The source of authority is the actor's status in an organization. Authority is usually static by nature, hierarchically downward directed and leads to coercive actions towards the subordinates. In contrast, the sources of influences can be manifold: personality, expertise and opportunity. Influence is characteristically more informal, more flexible and does not lead to coercion; it is essentially based on the acceptance of the object of power. There are situational factors which impact upon opportunities, i.e., to the individual characteristics of the situation at hand, which are continuously appearing and disappearing both as a result of human actions and of changes in the environment (Wright, 1976). Budgeting can be interpreted as a process of elaborating information. It may also be viewed as an organizational market for information, as the negotiating parties are offering and demanding information in accordance with their individual preferences.

Wildavsky (1964, 1975, 1979) argued that budgeting systems achieve many purposes beyond control. Wildavsky argued that budgeting systems are at once forms and sources of power, and also serve both the guardians of scarce resources and advocates of budgeting units. Wildavsky also reasoned that inherently conflicting organizations may use budgets to establish and maintain existing power relations, stating that the bond between budgeting and politicking was intimate, and that realistic budgets were an expression of practical politics. Moreover, the allocation of resources necessarily reflected the distribution of power. Budgeting, according to Wildavsky's point of view, is so basic that it should reveal the norms by which humans live in a particular political culture, for it is the choices inherent in limited resources through which consensus is established and conflict is generated. Burchell et al. (1980) stated that control systems often become mechanisms around which interests are negotiated, counterclaims articulated and political processes explicated.

Consequently, these authors recommended that budgeting should be studied as a social and organizational phenomenon affecting organizations' political processes, rather than from within the traditional accounting perspective (Hopwood, 1974). Cooper (1981) concluded that internal accounting systems, by what they measure, how they measure and who they report to, can effectively delimit the kind of issue addressed. Internal accounting systems reflect the status quo, the appropriate and acceptable ways of doing things and talking about issues.

Another area of budgeting research worth reviewing is the relationship between budgeting and performance. Hofstede (1968) conducted research in the European context and argued that there are certain conditions under which budgets could be used to promote positive attitudes in managing task performance. Brownell (1981) found that the personality of the manager is the key factor in the link between participation and performance.

Ivancevich (1976), Milani (1975) and Steers (1975) found only relatively insignificant connections between budgetary characteristics and job performance. Emmanuel et al. (1985) argue that the findings of the above studies on the impact of accounting work are twofold. First, it is the way in which the accounting information is used by managers and that the rewards that are made contingent upon budget attainment are critical in determining the impact of the control system. Second, the effect of high reliance on budgetary measures of performance is contingent upon circumstances such as the degree of knowledge we have about how managerial behaviour contributes towards successful performance and also the uncertainty that exists in the external environment of the organization.

According to Emmanuel et al. (1985), there are three major areas of potential conflict in the budget-performance debate that need highlighting. The first area of potential conflict occurs when budgetary data is used as a forecast of future events. Managers see it as being in their own interest to set easier rather than more difficult budgets for themselves and thus incorporate slack into their budget estimate (Schiff and Lewin, 1968). Williamson (1964) argues that there is evidence that slack is built up during good years and converted into reported profits in poor years. The second area of potential conflict occurs when budgetary standards are used as motivational targets. Tosi (1975) observes that there is substantial evidence from psychological studies that having a defined, quantitative target results in better performance than when no such target is stated. Psychological evidence thus suggests that the best results will be obtained by setting the most difficult goals that will be accepted by managers and thus internalized and accepted as their own objectives (Emmanuel et al., 1985). The third area of potential conflict occurs when actual results are compared with standards as a means of evaluating managerial performance. Brownell (1981) found that the locus of control interacts with participation in budget settings. Thus, people working under conditions which complement their personality learn faster, and consequently perform better. An earlier work by Swieringa and Moncur (1972) investigated how personal and organization variables affect managers' behaviour in relation to their budgets.

Another area of budgetary control research concerned the way in which organizational structure affects the design of control systems (Burns and Waterhouse, 1975; Otley, 1984). The use of concepts from organization theory led to an interest in the contingency theory of organization design. From this was developed a contingency theory of the design of management accounting and budgetary control systems (Hayes, 1977; Watson and Baumler, 1975). These studies have regarded the organization as the main determinant of the design and operation of the budgeting system, despite the high degree of interdependence between the two. Williams and Seaman (2001) considered the issue of change in managerial accounting systems at the organizational level. Their research was essentially anchored in structural contingency theory, which posits that organizational context and structure condition the nature and types of the most appropriate accounting control systems. Specifically, they focused on the magnitude of absolute changes from a defined population of 23 managerial accounting systems that were experienced within an organization over the period 1991-1993.

2.4 Performance Evaluation Role of Accounting Systems

According to Chenhall and Morris (1996), there are two different views concerning the role of management accounting in developing performance measures. First, some researchers, for example, Shank (1989), Back-Hock (1991), Nanni et al. (1992) and Shields and Young (1993), argue that management accounting, traditionally, is well placed to provide information to develop performance measures. This argument is based on the established role that management accounting has played in evaluating managerial and organizational performance, and that accountants have valuable experience in identifying the way specific activities affect the overall performance of the organization (Horngren et al., 1994). The second view concerning the role of management accounting in the development of performance measures is that the involvement of accountants does not necessarily lead to the improved design of performance measurement systems (Johnson, 1992; McKinnon and Burns, 1992). There are examples where accountants have had low involvement or have shown little interest in organizational change programmes, even when it is apparent that they have the functional skills to assist in the programmes (Eccles, 1991; Howell and Soucy, 1987).

One of the earliest studies of the role of accounting information in performance evaluation is by Hopwood (1972). He identified three main types of performance evaluation: budget constrained style, profit conscious style, and non-accounting evaluative style. The budget constrained style places significant emphasis on the use of accounting information, particularly variances from budget, for performance evaluation, while the profit conscious style considers other performance criteria as well as accounting information. The non-accounting style, however, places little emphasis on the use of accounting information for performance evaluation. Otley (1978) tested the broader applicability of the Hopwood results by deliberate selection of an organization where the use of budgetary control techniques was well-suited (Ross, 1995) and found that the style of performance evaluation did not have a significant effect on the level of job related tension.

Hopwood (1972) found, empirically, many problems that were related to the use of the budget constrained style, e.g., high work-related tension and stress, poor personnel relations, as well as the manipulation of accounting data and the physical process. Hopwood (1975) found that accounting data can reflect at least some of the important dimensions of managerial performance. Accordingly, accountants are faced with a series of major problems in using information systems for this purpose. The first problem is that accounting reports do not include all the relevant dimension of managerial performance, since neither accountants nor managers have developed comprehensive measures and standards. The second problem identified by Hopwood is that an organization's economic costs function is rarely known with precision, even if the economic aspects of performance are taken into consideration. What is more, an accounting system could only attempt to approximately respect its complexity. Hopwood believes that this is a particular problem with highly interdependent patterns of activity. Third, while accounting data is primarily concerned with representing outcomes, managerial activity requires information about detailed processes giving rise to final outcomes. Hopwood stressed that the main emphasis of accounting reports is short-term performance indexes, whereas the evaluation of managerial performance is often concerned with more long-term consideration. Hopwood further argued that it is important to recognize that even standard accounting reports can be used in many different ways in performance evaluation.

Since Hopwood's study, a number of studies have sought to explain the relationship between a budget-emphasis style of evaluation and job-related tension by references to moderating (or contingent) variables. These variables include the following: functional structure (Brownell, 1982); task uncertainty (Hirst, 1983); organization strategy (Merchant, 1984); degree of environmental uncertainty facing the business (Govindarajan, 1984); and level of automation (Brownell and Dunk, 1991). These variables reflect strategic and operational decisions that need to be taken into account when deciding how to evaluate a subordinate's performance. Where the situation indicates that a budget-emphasis style of evaluation should not be used, the superior may still be tempted to use a budget-emphasis style, even though this may lead to higher levels of job related tension (Emsley, 2001).

The above studies were based on the premise that the inconsistent results arose as a consequence of the contextual differences between the organization studied by Hopwood (1972) and those studied by Otley (1978). Hirst (1981) did not resolve the conflict when he attempted to reconcile the contradictions between Hopwood and Otley, but concluded that the difference in the results was due to different methodology and also because Hopwood's study was based on a high task uncertainty situation while Otley's study was based on a low task uncertainty situation.

Hirst (1981) found that under conditions of high task uncertainty, a high reliance on accounting performance measures resulted in higher job related tension than a low reliance on accounting performance measures. This finding is consistent with Hopwood's findings. With respect to low task uncertainty, Hirst found that a low reliance on accounting information performance measures resulted in higher job related tension than a high reliance on accounting performance measure. This finding is inconsistent with Otley's (1978) results.

According to Emsley (2001), when subordinate managers know more about their own work than their superiors, then information asymmetry exists which affects the performance evaluation process. Emsley adds that this can lead a superior to be motivated so as to become more informed about subordinates' work in order to evaluate their performance. The budgeting process can be used by superiors with a view to reducing this information asymmetry through the ex-ante budget setting activities as well as ex-post activities analyzing budget variances. For example, budgetary participation can reduce information asymmetry because it provides a conduit through which subordinate managers can inform their superiors about the difficulties in achieving ex-ante budget targets. As a result budgetary participation has been shown to moderate the effect of a superior's use of a budget-emphasis style of evaluation because the subordinate manager has been involved in, and can influence, the settings of the budget (Brownell, 1982).

When organizations hold managers accountable for results, whether they were controllable or not, the managers often develop methods to control – or manage – what was previously thought to be uncontrollable. Some authors (e.g., Demski, 1980; Merchant, 1985) have observed that the controllability principle, though very important for performance evaluation, may reduce innovation in organizations because managers do not attempt to innovate where they perceive risks but not commensurate benefits. Therefore, both the costs and benefits of relying on the controllability principle to design performance evaluation systems deserve additional investigation. Ultimately, managerial accounting controls provide feedback that allows firms to learn about their current environment and make predictions about the future. In particular, the feedback from the control role of management accounting systems should help organizations not only recognize the need for, but also provide the motivation to initiate organizational change.

2.5 Role of Accounting Information in Small Business Decision Making

This section reviews the literature on small business decision making. The show cave organizations studied can all be classified as small businesses hence the need to review the literature in this respect. The European Commission defines small and medium businesses as companies with fewer than 250 employees, and either annual turnover not exceeding €50M or a balance sheet totalling €43M, and which is not part of a larger enterprise that would fail these tests (http://www.inlandrevenue.gov.uk).

Mihail (2004) sheds light on workplace flexibility in small and medium-sized enterprises (SMEs) that employ the vast majority of workers in Greece. The study assessed the extent to which Greek SMEs resort to external and internal labour flexibility arrangements to cope with increasing competition and the way Greek SMEs react to recent flexibility-oriented legislation. Mihail found that SMEs make little use of external flexibility. Rather, they rely on internal flexibility, which stems from extensive webs of informal employee relations. However, the nature of "informality" varies in small enterprises, leading them to adopt different modes of absorbing institutional change.

Papadakis and Barwise (2002) explored the influence of both CEO and top-management team (TMT) characteristics on the process of making strategic decisions (SDs) in small business organizations. Papadakis and Barwise conducted empirical testing which was based on a sample of 70 SMEs, using a combination of interviews, questionnaires and archival data. The results of Papadakis and Barwise's research suggest that (1) the characteristics of both the TMT and the CEO influenced the strategic decision-making process, but the former had more influence; (2) the TMT and CEO influenced different dimensions of the process; and (3) the broader context of SDs is more influential than either the CEO or the TMT.

Papadakis and Barwise (2002) noted that among the most important factors was the TMT's "aggressiveness" (commitment to beating the competition, attitude to innovation, willingness to take risks). The results lend support to the "upper echelons" perspective, but suggest that in studying strategic decision-making processes both CEO and TMT characteristics should be considered, in conjunction with the broader context. Such an approach should provide a more reliable view of strategic processes and their evolving dynamics.

Research into management information, control and decision making in small firms appears to be contradictory (Perren et al., 1998). Many researchers, for example, Nayak and Greenfield (1994), argue that small enterprises have little management information, poor control and engage in ad hoc decision making. Tzschentke et al. (2004) conducted research into environmental decision making in the context of largely small serviced accommodation establishments. The research focused on the motivations of owner-managers for becoming environmentally involved and their reasons for joining an environmental accreditation scheme. The results highlight the role played by personal values and beliefs in the decision-making process of small firms and the need to gain a greater understanding of the complexity of motives that drive the small hospitality business owner.

Curran et al. (1997) argue that small firms acquire effective information through informal means, and that the decision-making process can be sophisticated. Other researchers, such as Schafer (1990), stated that small firms acquire effective information and control through formal means (North et al., 1995).

Perren et al. (1998) conducted research into the evolution of management information in small growth service sector businesses. The research revealed that as the business size and the number of transactions increases, the owner-managers' day-to-day operational involvement diminishes, leading to more formal systems being developed. Furthermore, Grant and Perren (2000) examined the evolution of control and decision-making processes within four growth-orientated service sector businesses. They argue that the owner-managers have a hegemony over the "micro-worlds" that they created and that any support offered to owner-managers must be on their terms.

There has been a significant increase in research relating to financial management in small organizations in recent years, showing that both the failure and success of small organizations is closely related to financial management (McMahon, 1991). Furthermore, many books and articles written for small business have focused on financial management as well as on training and education programs. A study was carried out in the U.S. into small business organizations, specifically focusing on their financial management. The researchers who conducted the particular study tried to understand the financial management practices employed by small business owner-managers and to outline the policy implications of these research results. The research revealed that the exercise of financial controls and techniques remains inadequate in small business. Moreover, McMahon's research raised real doubts about the effectiveness of the growing number of education and training programs and publications expositing financial management practices for small business.

Marriot and Marriot (2000) examined the potential for the provision of a management accounting service for smaller companies by accountants in professional practice. The research aimed to determine the management information needs of owner-managers, the type and frequency of information preferred and the capacity of professional accountants to contribute to these needs. The authors found that proper management information, especially in regard to monitoring and control, constitutes a crucial attribute of the small firm, whether it is to be successful, or even if it is to avert poor performance and failure (see also Mitchell and Reid, 2001).

According to the findings of Marriot and Marriott (2000), the companies they studied used computers for the preparation of management accounting information but usually not to their full potential. Furthermore, the financial awareness of owner-managers varied considerably. There was a favourable response to the presentation of ratios and graphs; however, it was felt that an explanation or interpretation of financial information by their accountant would be a useful addition to improve their understanding and therefore aid their business. The financial awareness of owner-managers varied considerably.

Marriott and Marriott (2000) concluded that there appears to be significant potential for accountants to expand the management accounting services they provide to smaller companies, especially where information was presented as ratios or graphs and accompanied with an appropriate narrative interpretation. This would also increase the financial skills of their clients and result in an increased demand for management accounting services. Furthermore, if the accountant provides the smaller company with a basic management accounting service, based around statutory reporting requirements, the owner-managers would understand the information produced and the performance of the business would improve.

Other researchers have explored the development of management accounting in small firms through a social construction perspective (Perren and Grant, 2000). Dirsmith's (1998) research examines the evolution of control and decision-making processes within four growth-orientated service sector businesses. Key to the perspective is the notion of the owner-manager and his/her employees as creators of management accounting routines that form through a cycle of action, externalization and habitualization. As the business grows, these routines may become objectified into localized management accounting "facts" and they may also be challenged by externally imported accounting conventions. Dirsmith's research also explores the creation of idiosyncratic accounting knowledge and the effects of its transmission over the history of the business. The author argued that support in accounting and finance for small business owners needs to be tailored to meet their needs.

One of the issues that small businesses face when expanding is that of control. Accordingly, Greenhalgh (2000) investigates and presents preliminary evidence of controlling or management accounting practice in a transnational SME. The study considers the contextual issues of complexity and resulting challenges facing the organization in its management accounting, information and control systems. It was found that traditional management accounting is used as the basis of supporting decision making in the group.

Hussain et al. (1998) examined management accounting practices in small and medium sized service firms in Finland. The authors argued that research has shown that Finnish service organization do not frequently follow recent trends using Management Accounting Systems (MAS), such as Activity Based Costing (ABC), although these practices have been recognized by the majority of respondents to be an important tool in understanding real product costs, decreasing production costs, modernizing cost accounting systems and identifying activity costs. The findings of the study revealed that a few Finnish small and medium sized service organizations have implemented recent developments of MAS such as ABC. The study also found limited use of accounting information for decision making and planning and control.

Lybaert (1998) conducted research in order to gain insights into the importance of the use of information for the success of the SME. Lybaert examined 208 Belgian SME owner-managers, concluding that there was a positive relationship between the extent of information use and the performance of a SME. SME owner-managers with greater strategic awareness, with less firm experience prior to the present position and with a greater desire for growth used more information.

Hopper et al. (1999) found that while Japanese management accounting in the past decade has grown, knowledge of Japanese cost accounting (e.g., target costing and continuous cost reduction) has tended to be drawn from large, internationally successful firms rather than small and medium sized enterprises (SMEs). The research was based on 13 company visits and semi-structured interviews in SMEs in Kyushu, mainly in manufacturing. The costing systems of the SMEs were found to have some similarities with those of larger Japanese firms. The study speculates that there may be extremities representing the past and the future in the wake of global competition and changes in the banking sector. Increased pressures within supply chains, coupled with new pressures from capital markets, are driving SMEs to adopt the cost management systems of their larger counterparts and, at the margins, to experiment with new forms of control that are more profit oriented.

2.6 Role of Accounting Information in Tourism Enterprises

Very little is yet known about management accounting and its use in tourism enterprises. Researchers in management accounting have traditionally been, above all, interested in the accounting systems of large manufacturing companies. In addition to that, most accounting researchers interested in service production have conducted their research in non-profit seeking, public-sector organizations (Olsen et al., 1998).

There are researchers, for example, Templeman and Wootton (1987), who argue that the relationship between small company owner-managers and their accountants is primarily an economic one. The current demand for accountants' reporting services is driven by regulatory requirements and, as many owner-managers possess limited financial skills, they do not understand or use the information produced.

There is no question about the importance of the research traditions in accounting mentioned above, but the number of studies on the management accounting practices of profit-seeking organizations other than auditing firms has remained very limited (Brignall et al., 1991; Sharma, 2002). Interestingly, however, there is also an active discussion in hospitality management research on management accounting practices of tourism enterprises (cf. Harris & Brown, 1998).

One of the objectives of this study is to understand the decision-making practised in tourism enterprises in their real-life contexts. The more specific research topic is the pricing of tourism products, as pricing is one of the most central management tasks in which cost information may be of use. However, decision making is not presumed to be necessarily rational (cf. Simon, 1976; Weick, 1995). The theoretical framework applied is in accordance with the non-rational decision-making school in organisation studies, suggesting that organisational goals may be unclear or changing (Cohen et al., 1972); the search for alternative ways of action may be limited and local (Cyert & March, 1963); the process of analysis and choice may be politically motivated (Pfeffer, 1981), incremental in nature (Lindblom, 1959) and routinized by the application of procedures (Cyert & March, 1963) or more incidental than considered (March & Olsen, 1976).

An investigation during the conduct of a study took place, regarding the use of management accounting systems by general and department managers in luxury hotels. More specifically, the general managers' emphasis on financial and non-financial performance indicators was under investigation, especially while they were evaluating their departmental managers' performance (Mia & Patiar, 2001).

In addition, managers' satisfaction with details and availability of their hotel's management accounting system (MAS) were assessed. The results indicate that general managers and departmental managers make equal use of MAS for both short- and long-term decisions. However, a detailed analysis of the data by manager groups indicates that general managers differ from departmental managers with respect to their use of MAS for making decisions. Furthermore, general managers, compared to department managers, are found to be more satisfied with the frequency in which MAS is available to them.

On the issue of the departmental managers' performance evaluations by general managers, the results reveal that general managers put more emphasis on financial than non-financial performance indicators. The departmental managers in the study were in charge of food and beverage and room departments. The sample was rather small; only 35 managers from one region in Australia participated in the study. Therefore, any generalization of the results requires caution.

With regard to the results of the particular study, the view that the beneficial effect on managerial performance of using broad-scope MAS information is moderated by differentiation of activities in ways that isolate uncertainty within particular functions is strongly supported (Mia, 1994).

Moreover, the results indicated that a higher usage of broad-scope MAS information was associated with enhanced performance for marketing activities but not for production at conventional levels of statistical significance. The study extends prior research on the perceived usefulness of MAS information (Chenhall & Morris, 1996; Gordon & Narayanan, 1984) to the association between the extent of use of such information and improved managerial performance. It addresses the suggestion for future research by Chenhall & Morris (1996:31) that "Perhaps, most importantly, the effect of different types of MAS on managers' performance should be investigated".

To the extent that use of broad-scope MAS information appeared to be most beneficial in marketing, several possible areas for future research are apparent. For example, the types of marketing decisions that might be assisted by using broad scope

MAS information, and the specific nature of the information would assist in targeting particular aspects of MAS that may assist in improving managerial performance.

Further work examining other dimensions of MAS such as timeliness, various forms of aggregations and MAS-decision models would add to our knowledge of the role of MAS in improving managerial performance. As with other studies, there are limitations associated with this study. First, while considerable care was taken to collect valid and reliable data, the measurement of task uncertainty was somewhat crude. Despite having confidence in the fact that the data collected provided a reliable indication that production activities faced lower levels of uncertainty than marketing, the measurement of task uncertainty did not involve conventional indexes.

First, use of existing instruments was considered to be inappropriate and potentially misleading because of their lack of suitability for this study. The measurement of performance was also crude, involving only a single item. Second, the sample was not random and while the studied firms were representative of manufacturers, care should be taken when generalizing the results to other industries. Third, the study examined a single moderating variable, and it is possible that other factors are implicated in the association between the extent of use of broad-scope MAS information and performance. Finally, and most importantly, the study used presumed differences in task uncertainty between the functions of production and marketing to explain how functional differentiation moderates the association between the use of broad-scope MAS information and performance. It is possible that there are other systematic differences between functionally differentiated activities that could help explain the hypothesized effects.

Within these limitations, the results of the study indicated that understanding of the way in which greater usage of broad scope MAS information assists in improving managers' performance is enhanced by considering the way tasks are functionally differentiated to manage uncertainty within organizations.

While the results are clearly a modest extension of the body of research exploring the usefulness of MAS information, they do add to our understanding about which factors at the organizational level potentially affect the design of MAS. This orientation may be considered as having greater practical significance to management accountants than individual level studies which conclude, somewhat unrealistically, that MAS should be designed to cater for individual differences such as personality, cognitive style or educational background and training.

2.7 Chapter Summary

This chapter has provided a review of the relevant literature. The first part of the review focused on the role and usefulness of accounting information in organizational decision making. The review suggests that while earlier management accounting researchers believe organizations could be understood apart from their environments with the most important processes and facts considered as internal, subsequent studies began to recognize the interdependency between organizations and their environments. Balakrishnan et al. (1997b) argued that successful organizations continuously adapt to changes in their environment, and proactively change their environment. Organizations grow, merge, acquire other organizations and change leadership styles. Thus management accounting information should help organizations change and at the same time help them recognize the need for initiating change and also suggest the appropriate response to an environmental change. The chapter also examined two key roles of organizational accounting systems in terms of budgeting and performance evaluation. These two roles have dominated the literature on management accounting and control systems.

The next part of the literature review focused on management issues in small business enterprises. This review was necessary because the organizations studied could be classified as small. The management accounting problems in small businesses in terms of the non-use of accounting information in day-to-day decision making were identified.

Chapter Two has provided a review of the related literature. Chapter Three identifies and discusses the theoretical framework informing the study.

Chapter Three
Theoretical Framework

This chapter proposes institutional theory as the main theoretical framework informing the study. Though the research draws on the theory of New Institutional Sociology and organizational analysis, salient concepts from other institutional schools of thought are also discussed. This is necessary to identify the convergence and the divergence of the various institutional schools.

The chapter is organized into six sections. The first section presents arguments for selecting institutional theory as the theoretical framework for the study. Section 2 examines the concept of institutionalization. Section 3 examines the New Institutional Theory and specifically the New Institutional Sociology (NIS), which forms the basis of the thesis. Section 4 examines the use of institutional theory by other researchers in organizational and accounting research. Section 5 provides an evaluation of institutional theory, and Section 6 provides a summary of the chapter.

3.1 Why Institutional Theory?

The purpose of this section is to justify the research having adopted institutional theory for its analysis. Management control systems (MCS) research has long been dominated by contingency theory analysis (Chenhall, 2003). From a contingency perspective, Burns and Stalker (1961), Perrow (1970), Thompson (1967), Lawrence and Lorsch (1967) and Galbraith (1973) focused on the impact of environment and technology on the design of organization structure. Other researchers such as Otley (1980) and Alam (1997) argue that the design of an accounting control system in relation to contingency based theory is dependent on the specific circumstances or situations in which an organization finds itself.

Hayes (1977), considering departmental performance, looked at internal factors, environmental factors and factors concerned with the interrelationship between departments. Burns and Waterhouse (1975) consider two variables (organization structure and budget system) in order to understand organization control. Gordon and Narayanan (1984) suggested in their study that accounting information system and organization structure were both functionally related to the environment. Williams, Macintosh and Moore (1990) assert that budget behaviour relates to performance, depending on the extent of task interdependency.

In recent years however, researchers have began to draw on institutional theory as the theoretical framework to explain management control systems design and accounting choice in organizations. This is particularly important as a view is held that self-interest maximizing actors cannot exert effective influence over the choice of accounting practices because of their relative power positions in their organizations (Carpenter and Feroz, 2001). This thesis does not adopt contingency theory because this theory ignores individual influence on organizational strategy. Contingency theory thus ignores the social-political choices made (Otley, 1978, 1980) and, according to Chenhall (2003), the contingency-based research follows the more conventional view that perceives MCS as a passive tool designed to assist decision making.

The above limitations lead the researcher to adopt institutional theory as a research framework in order to explain the role that accounting systems play in the decision-making process within the Greek show caves. Specifically, the research draws on the

New Institutional Sociology (NIS) which, according to several researchers (Greenwood and Hinings, 1996; DiMaggio and Powell, 1991; Scott, 1995), adopts a broader, multi-dimensional approach for focusing on issues of external and internal organization contexts. These studies argued that NIS has contributed significantly to the understanding of the relationship between organizational structures and the wider social environment in which organizations are situated.

3.2 The Concept of Institutionalization

Prior to the 1970s, most of the organizational analysis involved a focus on the internal workings of organizations. This is particularly true about those in the old institutional school of Selznick (1949). Selznick's (1957) article "Leadership in Administration" was often cited as a source of the "old" institutionalism in organization theory. Scott (1987) argued that Selznick borrowed from Michels (1915) and Barnard (1938) in creating his somewhat distinctive model of institutional theory. Scott viewed organizational structure as an adaptive vehicle shaped in reaction to the characteristics and commitments of participants as well as to influences and constrains from the external environment. Furthermore, Selznick (1957:10) argued that:

> Organizations are technical instruments, designed as means to define goals. They are judged on engineering premises; they are expendable. Institutions, whether conceived as groups or practices, may be partly engineered, but they also have a "natural" dimension. They are products of interaction and adaptation; they become the receptacles of group idealism; they are less readily expendable.

Gouldner (1954) and Zald (1970) emphasized organizations' ties with their environments. It is also true that even within contingency theory authors such as Thompson

(1967) and Lawrence and Lorsch (1967) were concerned with organizations' interactions with their environments. However, it was only in the 1970s that organizations' relations with their environments became the subject of major research (Mizuchi and Fein, 1999). In the late 1970s, a series of works such as Williamson's (1975) book on transaction economics and Pfeffer and Salancik's (1978) book on organizations' resource dependence on external environments influenced the development of institutional theory (Mizuchi and Fein, 1999).

One of the most important approaches to emerge from this period was what is now called "New Institutional Theory". This approach has its roots both in the earlier, old institutional theory works of Selznick, Gouldner and Zald, as well as the social constructionist literature in sociology (Berger and Luckmann, 1967). Its two primary foundational works are generally believed to be the articles by Meyer and Rowan (1977) and DiMaggio and Powell (1983). According to Carpenter and Feroz (2001:569):

> Institutional theory assumes that organizations adopt structures and management practices that are considered legitimate by other organizations in their fields, regardless of their actual usefulness. Legitimated structures or practices can be transmitted to organizations in a field through tradition (organization imprinting at founding), through imitation, by coercion, and through normative pressures.

In addition, institutionalization refers to this adaptive process in what is perhaps its most significant meaning: to institutionalize is to infuse with the value beyond the technical requirements of the task at hand (Selznick, 1957). These mimetic, normative and coercive processes are part of the institutional context. Such contexts differ in the strength of these kinds of pressures (i.e., the degree of embeddedness) and in the extent to which change may occur because of deinstitutionalization (Oliver, 1992). Radical change is thus problematic, not solely because of weak organizational learning (as emphasized by strategic choice theorists such as Kanter (1983) and Johnson (1987)) or the constraints of strategy "commitments" (Ghemawat, 1991) or the difficulty of mobilizing internal support (as emphasized by Tichy (1983) and Fombrum (1982)). Also, the greater the embeddedness, the more problematic is the attainment of radical change. Indeed, Powell and DiMaggio (1991) noted that the greater the extent to which organizations are tightly coupled to a prevailing archetypal template within a highly structured field, the greater the degree of instability in the face of external shocks. That is, the rigidity of tight coupling and high structuredness produces resistance to change; however, should institutional prescriptions change dramatically, the resultant organizational response would be revolutionary, not evolutionary (in terms of the scale and pace of upheaval and adjustment).

The two primary foundation works of the New Institutional Theory are Meyer and Rowan (1977) and DiMaggio and Powell (1983). This New Institutional Theory is based on the premise that organizations respond to pressures from their institutional environments and adopt structures and/or procedures that are socially accepted as being the appropriate organizational choice. DiMaggio and Powell (1991:12) stated that:

> The new institutionalism in organization theory and sociology comprises a rejection of rational-actor models, an interest in institutions as independent variables, a turn toward cognitive and cultural explanations, and an interest in properties of supraindividual units of analysis that cannot be reduced to aggregations or direct consequences of individuals' attributes or motives.

Recent literature examines accounting as a symbol of legitimacy (Carpenter and Feroz (2001); Covaleski and Dirsmith (1988); DiMaggio and Powell (1991)). For instance, Meyer and Rowan (1977) argue that many elements of formal structure in bureaucracies function as myths and cite accounting as an example. Meyer and Rowan (1977) argue that such "institutional techniques are not based on efficiency but are used to establish an organization as appropriate, rational, and modern. Their uses display responsibility and avoid claims of negligence" (p.344). DiMaggio and Powell (1991:70) also stated that:

> Organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful. The ubiquity of certain kinds of structural arrangements can more likely be credited to the universality of mimetic processes than to any concrete evidence that the adopted models enhance efficiency.

DiMaggio and Powell further observe that bureaucratization is caused, in part, by the proliferation of these rationalized myths in society. By designing a formal structure that adheres to the prescription of myths in the institutional environment, an organization demonstrates that it is acting in a proper and adequate manner. Meyer and Rowan (1977) maintain that myths of generally accepted procedures – such as generally accepted accounting principles (GAAP) – provide a defence against the perception of irrationality and enhanced continued moral and/or financial support from external resource providers.

Thus, organizations that have highly institutionalized formal structures tend to delegate work activities to appropriate professionals, thereby avoiding the need for efficiency evaluations. Institutionalization of management practices may be viewed as "a process entailing the creation of reality" (Scott, 1987:505). Covaleski and Dirsmith

(1988) define institutionalization as "the processes by which societal expectations of appropriate organizational form and behavior come to take on rule-like status in thought and action" (p.562).

Neo-institutionalism traces its roots to the "old institutionalism". Both old and new approaches share scepticism toward rational-actor models of organization, and each views institutionalization as a state-dependent process that makes organizations less instrumentally rational by limiting the options they can pursue. Both old and new approaches emphasize the relationship between organizations and their environments, and both promise to reveal aspects of reality that are inconsistent with organizations' formal accounts. Each approach stresses the role of culture in shaping organizational reality (DiMaggio and Powell, 1983; Powell and DiMaggio, 1991).

There is a view that institutional theory is important in explaining accounting choice in organizations where self-interest maximizing actors cannot exert effective influence over the choice of accounting practices because of their relative power positions in their organizations (Carpenter and Feroz, 2001). Kimberly (1975), Mezias (1990), Scott (1987) and Stinchcombe (1965) referred to the above as organization imprinting. Scott (1987) in Carpenter and Feroz (2001:566) views this as

> the process by which organizations tend to maintain certain practices adopted at the time that the organization was founded and not by rational decision or design but because they are taken for granted as the way these things are done.

3.3 New Institutional Theory

New Institutional Theory is divided into New Institutional Economics (NIE) and New Institutional Sociology (NIS). Though this study draws on NIS, both NIE and NIS are discussed in this section.

3.3.1 New Institutional Economics (NIE)

It is difficult to define the New Institutional Economics (NIE) with any degree of precision. Frant (1991) has identified three precursors of NIE: first, Coase's (1937) focus on the importance of transactions and the related problems of whether to employ markets or hierarchies to handle transactions, which emphasized the costs attached to using the price mechanism; second, Coase's (1960) famous paper on how the assignation of property rights influences outcomes in the presence of externalities; and third, Alcian and Demsetz's (1972) attempt to apply the property rights paradigm to organizations engaged in productive activity, with the problems inherent in "team production", like "shirking" and "monitoring" (Dollery, 2001).

Wareham (2002) argues that in Coase's analysis, firms come into existence when the cost of consciously managing inputs to achieve a given outcome is less than the cost of using the price system. While Coase did not specifically describe the costs of using the price system, he referred to the cost of acquiring price information, negotiating and exchanging. Wareham (2002) stated that the neo-institutional research program is characterized by a positive agenda, entailing the development of a comparative institutional logic of organization. Here, many applications and refutable implications accrue in relation to which many empirical tests have been conducted and are broadly corroborative.

Poirot (2002) stated that NIE focuses on principal-agent conflicts, information asymmetries, path dependency, problems of assigning property rights and many other areas directly addressing real, existing institutional problems of fully developed and transitional market economies. Moreover, NIE comes very close to fully embracing the conception of economic systems as open, evolving, path-dependent systems that evolve in real historical time and clearly puts modern economics on an evolutionary footing. In that sense, the direction of the NIE research program is decidedly non-neoclassical, despite its partially neo-classical roots.

Furthermore, NIE approaches provide a compelling and usable framework to explain how the routines of individual agents reproduce a given path. However, NIE approaches do not explain how particular paths emerge or how real change comes about (Poirot, 2002). In the real-world phenomena (like bounded rationality and incomplete contracts) economic activities have to be conducted in an environment characterized by asymmetric information and costly transactions. These features, therefore, lend crucial importance to institutions. Many researchers working in the NIE tradition (e.g., Demsetz, 1969; De Alessi, 1983) have expressed strong reservations about using the Pareto efficiency criterion to justify government intervention (Dollery, 2001).

3.3.2 New Institutional Sociology (NIS)

Scott (1987) argues that since the early period, institutional theory and research have developed rapidly and currently occupy a prominent place in the field of organizational analysis. Zucker (1977) and Powell and DiMaggio (1991) have written several papers in this field. Meyer and Rowan (1977) argue that one of the central problems in organizational theory is to describe the conditions that give rise to a rationalized formal structure. They argue also that as markets expand, the relational networks in a given domain become more complex and organizations in that domain must manage more internal and boundary-spanning interdependencies.

Size and technology (Woodward, 1965) increase the complexity of internal relations, and the division of labour among organizations increases boundary-spanning problems (Aiken and Hage, 1971; Freeman, 1973; Thompson, 1967). The result is that organizations are structured by phenomena in their environments and tend to become more isomorphic with them. Berger and Luckmann (1967) argue that organizations structurally reflect socially constructed reality. Organizations both deal with environments at their boundaries and imitate environmental elements in their structures. Meyer and Rowan (1977) argue that there are some myths which describe the elaboration of complex relational networks in society or some myths that describe specific structural elements. For example, laws, educational and credentialing systems and public opinion then make it necessary or advantageous for organizations to incorporate the new structures. Meyer and Rowan stated that the myths generated by particular organizational practices and diffused through relational networks have legitimacy based on the supposition that they are rationally effective.

Furthermore, Meyer and Rowan (1977) stated that there are many organizations which, in order to institutionalize their goals and structures, seek charters from collective authorities. First, powerful organizations force their immediate relational networks to adapt to their structures and relations, and second, powerful organizations attempt to build their goals and procedures directly into society as institutional rules.

Moreover, Meyer and Rowan (1977) stated that isomorphism has some crucial consequences for organizations: one, they incorporate elements which are legitimated externally, rather than in terms of efficiency; two, they employ external or ceremonial assessment criteria to define the value of structural elements; and three, dependence on externally fixed institutions reduces turbulence and maintains stability.

According to Meyer and Rowan, this enables the organization to remain successful by social definition, thus avoiding failure. Isomorphism in terms of institution identifies the process by which organizations tend to adopt the same practices and structures over time in response to common institutional pressures which may exist at the individual, organizational or organization field level.

This does not lead to radical changes in the organization field because isomorphism makes organizations seem identical without necessarily improving them. In order to maintain institutional legitimacy, organizations tend to adopt bureaucratization and other forms of standardization. DiMaggio and Powell (1983) suggest that governments, which often have ambiguous goals and unreliable performance measures, resort to legitimacy rituals to demonstrate social and economic fitness. In 1971, Silverman first attempted to introduce institutional arguments to the study of organizations. Reed (1985), however, argues that Silverman, in his subsequent work, shifts his focus to an ethnomethodological emphasis on the multiple meanings and rationalities associated with the participants' phenomenological accounts of their common situation. Moreover, in 1977 two influential articles by Meyer and Rowan and Zucker tried subsequently to introduce institutional arguments into organizational sociology with the micro-environmental perspective.

The other foundation work of the New Institutional Theory is the article by DiMaggio and Powell (1983). New Institutional Theory is based on the premise that organizations respond to pressures from their institutional environments and adopt structures or pressures that are socially accepted as the appropriate organizational choice. DiMaggio and Powell (1991) suggest that the term "New Institutionalism" rejects the previous model of rational-actor. Further, DiMaggio and Powell suggest the idea of an interest in institution as an independent variable and an interest in properties of the supra-individual unit of analysis that cannot be reduced to aggregations or direct concentrations of individuals' attributes or motives.

New Institutionalism thus rejects the assumptions of methodological individualism and individual rationality. Furthermore, new institutional theorists believe that people live in a socially constructed world that is filled with meanings and rules that are taken for granted and as a result their actions are neither intentional nor conscious. Selznick (1996) notes also that corporate rationality derives from the actions of shareholders. Furthermore, he argues that what is rational for the shareholder is not necessarily rational for the enterprise. Indeed, institutional theory is a voice of resistance to the culture of short-sightedness exercised in the shareholder's rational choice. According to Scott (1987), the increased pressure on organizations for legitimacy, resources and survival results in such organizations yielding to institutional pressures for change.

Berger and Luckmann (1967) argue that institutionalization involves three phases: (1) externalization, (2) objectification and (3) internalization. Several researchers (Greenwood and Hinings, 1996; DiMaggio and Powell, 1991; Scott, 1995) argue that

NIS adopts a broader multi-dimensional approach for focusing on issues of external and internal organization contexts.

3.3.3 New Institutional Sociology and Old Institutional Sociology

New theory diverges in systematic ways from earlier sociological approaches to organizations and institutions. New Institutionalism, as did the old institutionalism, recognizes the relationship between organizations and their environments. Furthermore, the two approaches stress the role of culture in shaping an organization's reality.

New Institutionalism focuses on how organizations respond to conflicts of interest with and between organizations by developing administrative structures. Old institutionalism focuses on how informal structures such as patterns, coalitions and cliques influence the organization. New Institutionalism locates irrationality in the formal structure itself. Furthermore, New Institutionalism argues that environments are being corrupted by organization. NIS views institutionalism as occurring at the societal level and old institutionalism (OIS) views the process as institutionalization and the institution as the key locus of the process.

Furthermore, NIS tends to reduce variety operating across organizations to override diversity in local environments and put emphasis on the homogeneity of organizations. For OIS, the change is an endemic part which relates to local environments. Moreover, both NIS and OIS reject a view as merely the sum of individual actions. OIS argues that organizations become institutionalized when they are infused with value as ends in themselves. NIS argues that institutionalism is fundamentally a cognitive process. New institutionalists believe that institutions matter and one must reject the assumptions of methodological individualism and individual rationality. In order to achieve this, they embrace the important concept of culture, particularly how the social world is constituted and understood by social actors (see Table 3.1).

Furthermore, New Institutionalists believe that people live in a socially constructed world that is filled with meanings and rules that are taken for granted. Much of their action is neither intentional nor conscious for it is undertaken unconsciously and as a matter of routine. In addition, the New Institutionalists have been surprised by how much organizational structure is shaped by social environment. They believe also that isomorphism between the inside and outside of organizations is not dictated by technical criteria, but that the process is a cultural and political one that concerns legitimacy and power much more than efficiencies alone.

Meyer and Rowan (1977) argue that institutions have frequently incorporated into their formal structure a variety of rational procedures, processes and rules. Meyer and Rowan view formal organizational structure, with its highly rationalized appearance, as decoupled from actual organizational practice.

Decoupling is significant when there is a substantial discrepancy between formal structure and organizational practice. Meyer and Rowan attribute decoupling to rules and culture rather than to technical processes. Moreover, when organizational output is easily measurable, i.e., when productive technologies are well defined, and when criteria of success are unambiguous, then technical efficiency matters.

Scott and Meyer (1994) argue that technical and institutional dimensions are independent dimensions rather than polar ends of a dichotomy. They consider also that societal sectors are more or less technical and institutional at the same time. In addition, New Institutionalists are sceptical of claims that some organizations feature or produce what is necessary for technical reasons. Highly political and cultural features get hidden under a technical surface. DiMaggio and Powell (1983) distinguish two types of isomorphism, namely, competitive and institutional. Furthermore, they identify three main dimensions of institutional isomorphism: coercive, normative and mimetic. However, they note that that it may not always be possible to distinguish between the three forms of isomorphic pressure.

Table 3.1 Differences between Old and New Institutionalism (adapted from DiMaggio and Powell 1983:13)

	Old Institutionalism	New Institutionalism
Conflict of interest	Central	Peripheral
Source of inertia	Vested interests	Legitimacy imperative
Structural emphasis	Informal structure	Symbolic role of formal structure
Organization embedded in	Local community	Field, sector or society
Nature of embedded ness	Co-optation	Constitutive
Locus of institutionalization	Organization	Field or society
Organization dynamics	Change	Persistence
Basis of critique of utilitarianism	Theory of interest aggregation	Theory of action
Evidence for critique of utilitarianism	Unanticipated consequences	Unreflective activity
Key forms of cognition	Values, norms, attitudes	Classifications, routines, scripts, schema
Social psychology	Socialization theory	Attribution theory
Cognitive basis of order	Commitment	Habit, practical action
Goals	Displaced	Ambiguous
Agenda	Policy relevance	Disciplinary

3.3.4 Types of Isomorphism

DiMaggio and Powell (1983) argue that organizations come to imitate each other because they are in similar environments. They distinguish between competitive and institutional types of isomorphism. Institutional isomorphism can be separated into three categories.

3.3.4.1 Coercive Isomorphism

The first category of institutional isomorphism is "coercive isomorphism", which concerns the ways in which organizations may be subject to external pressure from organizations upon which they are dependent or from more general cultural expectations. Furthermore, when there are formal or informal pressures on organizations by others upon which they are dependent and by cultural expectations in the society within which organizations function, then in some cases organizational change is a direct response or obligation to a government mandate. For example, DiMaggio and Powell (1983) state that manufacturers may adopt new pollution control technologies to conform to environmental regulations; non-profit organizations may maintain accounts and hire accountants in order to meet tax law requirements; and organizations may employ affirmative action officers to fend off allegations of discrimination. Greening and Gray (1994) argue that pressure from public interest groups clearly appears to act as a coercive institutional force impelling firms to initiate or elaborate structural responses to issues. Although institutional theory has traditionally been concerned with homogeneity among firms, it appears that firms singled out by interest groups may have to respond in a special manner and become different from those that have escaped such attention. The findings suggest that interest groups function selectively as institutional agents that coercively influence organization design.

Greening et al. (1994) examine whether organizations with different collectivized agency arrangements have different survival prospects. They propose that the structure of monitoring and incentive systems determines the agency costs of collectivized agencies and, in turn, their vulnerability to competition and environmental variability. Konrad (1995) explored the question whether formalized human resources management (HRM) structures promote goals of equal employment opportunity and affirmative action or symbolize good faith in the absence of real change. They examined the antecedents and outcomes of formalized HRM structures in over one hundred organizations, assessing the presence of "identity-conscious" and "identity-blind" HRM structures. Findings indicated that identity-conscious structures were associated with some positive indicators of the employment status of women and people of colour. It was concluded that such practices, although perhaps adopted for symbolic purposes, improved the employment status of protected groups.

Rao and Neilsen (1992) examine whether organizations with different collectivized agency arrangements have different survival prospects. They proposed that the structure of monitoring and incentive systems determines the agency costs of collectivized agencies and, in turn, their vulnerability to competition and environmental variability. Their research focuses on mutual and stock savings and loan associations (SLAs) and notes that stock SLAs have superior monitoring, incentive systems and capital structures in comparison with mutual SLAs. An analysis of 900 SLAs founded during 1960-1987 indicates that mutual companies were more vulnerable than stock companies to competition from commercial banks, but there was no conclusive evidence that mutual companies were more susceptible to environmental variability than stock companies were. The results also show that deregulation sharply attenuated the agency advantages of stock companies, implying that agency-cost advantages may be constrained by institutional processes (coercive isomorphism).

Greening and Gray (1994) argue that the positive impact of interest group pressure on committee use indicates that firms develop internal communication and coordination systems to process information about how to respond to issues raised by these groups.

Firms that have been contacted by interest groups about their behaviour toward issues tend to subsequently develop committees that include members from a variety of functional departments and organizational levels. These committees tend to meet frequently and address a large number of issues. Pressure from interest groups was marginally related in the regression analysis as Greening and Gray (1994) did to the extent of resources allocated to management activities. Furthermore Greening and Gray (1994:1046) stated that:

> It would make sense that pressures from interest groups might motivate top managers to provide additional resources to these committees to analyze and develop responses to emerging issues. Interest group pressure was significantly correlated with issues management formalization, but the regression results did not support this relationship. It appears that other elements, such as organization size or commitment by top management, better explain the formalization of issues management activities in organizations.

Mizuchi and Fein (1999:657) acknowledge that:

> Coercive isomorphism, at least in the first instance (pressure from other organizations on which a focal organization is dependent), is thus analogous to formulations of the resource dependence model, in which organizations are viewed as constrained by those on whom they depend for resources.

U.S. state governments, like firms, require resources from the government to survive (Meyer and Scott 1983). Government regulations can coerce organizations into adopting new procedures; for example, a large manufacturing firm can force its suppliers to standardize their shipping operations. Thus the political survival of government officials depends on their ability to negotiate exchange with the environments. In periods with large fiscal stress, elected officials try to ensure continued financial resources for the government. Thus, other organizations that can provide resources, such as banks, can exercise power over government entities. This power can be used to dictate the use of certain institutional rules.

Moreover, coercive isomorphism is driven by two forces: pressures from other organizations on which a focal organization is dependent and an organization's pressure to conform to the cultural expectations of the larger society (Mizuchi and Fein, 1999). Covaleski and Dirsmith (1988) used an institutional perspective to examine the role of power in the budgetary process in Wisconsin. They cite DiMaggio and Powell (1983) as identifying budgeting as "one specific form of coercive isomorphism that governments often require for funding" (pp.563).

Carpenter and Feroz (2001) note that power is a reserve of potential influence through which the allocation of budgetary resources can be affected. Politics is the study of power in action; therefore, an investigation of organizational power implies an investigation of organizational politics. Pfeffer (1981) argued that "Organizational politics involves those activities taken within organizations to acquire, develop, and use power and other resources to obtain one's preferred outcomes in a situation in which there is uncertainty or dissensus about choices."

3.3.4.2 Normative Isomorphism

The second category of isomorphism is "normative isomorphism". Professionals play a major role in this category. Professional power not only shields decision makers from having others pass judgment on their decision but also "binds supervisors and subordinates to act in good faith" (Meyer and Rowan, 1977:343). Normative isomorphism analyzes the major role of the profession within organizations. Meyer and Rowan (1977), Palmer et al. (1993) and Scott (1987) argue that traditional or organization imprinting is the path where the legitimated structures or practices can be transmitted to an organization. Meyer and Scott (1983) argue that "institutional legitimacy refers to the degree of cultural support for an organization – the extent to which the array of established cultural accounts provide explanations for its existence, functions and jurisdiction and lack of alternatives". Institutional legitimacy is derived from the wider institutional environment, not from the local bureaucrats who may employ their own unique interpretations of proper procedure.

DiMaggio and Powell (1983) stated that while various kinds of professionals in earlier organizations may have differed from one another, they did show similarities with their professional counterparts in other organizations. According to DiMaggio and Powell (1983), there are two aspects of professionalization which are important sources of isomorphism. The first is based on formal education provided by university specialists, and the second concerns the rapid growth and elaboration of professionalization.

The exchange of information among professionals helps contribute to a commonly recognized hierarchy of status of centre and periphery that becomes a matrix for information flows and personnel movements across organizations. Managers in highly visible organizations may in turn have their stature reinforced by representation on the boards of other organizations, participation in industry-wide or inter-industry councils and consultations by agencies of government. In the non-profit sector, where legal barriers to collusion do not exist, structuration may proceed even more rapidly.

Thus, executive producers or artistic directors of leading theatres head trade or professional association committees, sit on government and foundation grant award panels, consult as government – or foundation – financed management advisers to smaller theatres, or sit on smaller organization boards even as their stature is reinforced and enlarged by the grants their theatres receive from the government, and corporate and foundation funding sources (DiMaggio and Powell, 1983). DiMaggio and Powell (1983) argue that "organizational prestige and resources are key elements in attracting professionals. This process encourages homogenization as organizations seek to ensure that they can provide the same benefits and services as their competitors". Meyer and Scott (1983:6) also observe that

> Legitimacy is a question of cultural theory and speaking on behalf of theory requires cultural licenses. Institutional legitimacy is derived from the wider institutional environment, not from the local bureaucrats who may employ their own unique interpretations of proper procedure.

Bureaucracies continuously engage in cultural innovation. Innovations linked to cultural authority are more likely to have influence and easier implementation than innovations which lack institutionalized legitimacy. Cultural innovations are much more likely to have influence when they are supported by national or worldwide professional associations (Meyer and Scott, 1983:200; Meyer and Rowan, 1977:346-347). Government innovation concerns the adoption of processes that are new in the sense of being different from an entity's own tradition. Therefore, the adoption of GAAP by a government entity that has previously used other accounting practices represents an organizational innovation.

Mezias (1988) conducted research into the decision process of a public policy task force that plays a role in establishing financial reporting standards to determine the effects on the kinds of decisions made. Mezias (1988) argue that the task force is charged with resolving emerging problems in the design of rules that govern the reporting of information provided to the public by firms that sell securities in U.S. markets. Drawing on traditions of institutional theory employing the concept of "garbage can" (Mezias, 1988), they model this decision process as organized anarchy embedded in an institutional context.

The garbage can process gives shape to and is simultaneously shaped by the larger institutional context of accounting. As a result, some aspects of the decision process are associated with disorder and make the resolution of financial reporting problems less likely; others are associated with order and make the resolution of financial reporting problems more likely. Mezias (1994) stated:

> We propose specific hypotheses to test these conjectures and examine actual decisions by the task force as our empirical context. The results generally support our model of the process by which financial reporting problems are resolved. The research stands as a case study of how garbage can and institutional forces intersect to bring about change in the institutional environment of accounting.

3.3.4.3 Mimetic Isomorphism

The third category of isomorphism is "mimetic isomorphism". When organizations are not sure what to do, they very often look to a reference group, to kindred organizations, and emulate what they do in the same situation. DiMaggio and Powell (1983:152) state that

> Organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful. The ubiquity of certain kinds of structural arrangements can more likely be credited to the universality of mimetic processes than any concrete evidence that the adopted models enhance efficiency.

Uncertainty is also a powerful force that encourages imitation. March and Olsen (1976) stated that when organizational technologies are poorly understood, when goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations. Cyert and March (1963) argue that the advantages of mimetic behaviour in the economy of human action are considerable, and that when an organization faces a problem with ambiguous causes or unclear solutions, a search of the problem may yield a viable solution at little expense.

Much homogeneity in organizational structures stems from the fact that, despite considerable search for diversity, there is relatively little variation to be selected from. Kimberly (1980) stated that new organizations are modelled upon old ones throughout the economy, and managers actively seek models upon which to build. Mimetic isomorphism deals with uncertainty in the environment where the organizations operate. DiMaggio and Powell (1983, p69.) argue that "organizations tend to model themselves (when goals are ambiguous, or when the environment creates symbolic uncertainty) after similar organizations in the field that they perceive to be more legitimate or successful."

Palmer et al. (1993) note that institutional theory assumes that organizations will select among alternative structures on the basis of efficiency considerations, primarily at the time that the organization's field is being founded or reorganized.

Subsequently, they adopt forms that are considered legitimate by other organizations in their field regardless of these structures' actual efficiency. Greenwood and Hinings (1996:1028) argue that:

> These mimetic, normative, and coercive processes are part of the institutional context. Such contexts differ in the strength of these kinds of pressures (i.e., the degree of embeddedness and in the extent to which change may occur because of deinstitutionalization (Oliver, 1992). Radical change is thus problematic not solely because of weak organizational learning (as emphasized by strategic choice theorists such as Kanter, 1983, and Johnson, 1987) or the constraints of strategy "commitments" (Ghemawat, 1991) or the difficulty of mobilizing internal support (as emphasized by Tichy, 1983, and Fombrun, 1992) – although these forces for inertia may and often do occur – but because of the normative embeddedness of an organization within its institutional context (Baum and Oliver, 1991).

Lomi's (1995) research used pooled cross-sectional time series data collected at the level of 13 geographical regions to investigate the effects of location dependence and unobserved heterogeneity on founding rates of rural cooperative banks in Italy from 1964 to 1988. Parametric and semi-parametric models of organizational founding reveal that the organizational population is internally differentiated and that different segments of the population respond heterogeneously to general processes of legitimation and competition. Lomi's study emphasizes the importance of identifying the correct level of analysis at which population-level processes operate and of accounting for unobservable factors related to the cross-sectional structure of organizational populations. The findings demonstrate how an ecological approach that incorporates information on the spatial structure of the population can provide a more detailed understanding of the evolutionary dynamics of organizations (mimetic isomorphism).

Haveman's (1993) research combines organizational ecology and neo-institutional theory to explain the process of diversification, and specifically, how the structure of markets affects rates of market entry. Haveman also extended the density-dependence model of competition and legitimation, which has been used to study organizational founding and failure, to the process of organizational change through entry into new markets. He argued that the number of organizations operating in a particular market will have an inverted-U-shaped relationship with the rate of entry into that market. He also examined propositions, drawn from neo-institutional theory, that organizations will follow similar and successful organizations into new markets.

Haveman (1993) assessed the link between entry into new markets and, one, the number of organizations operating in those markets similar to a potential entrant, and two, the number of successful organizations in those markets. He also explored whether these two mimetic processes act in concert by examining whether successful potential entrants to a market are influenced by the presence of other successful organizations. Furthermore, Haveman tested these hypotheses on a population of savings and loan associations. He found that these firms imitate large and profitable organizations, but found only limited evidence of imitation of similarly-sized organizations, as large organizations copy the actions of other large organizations. Haunschild (1993) investigated the effects of inter-organizational relationships on the decision of how much to pay when acquiring another company (acquisition premiums). Haunschild argued that firm managers will look to both their interlock partners and professional firms when deciding how much to pay, drawing on diverse literatures on the effects of uncertainty on inter-organizational relationships. Furthermore, Haunschild argued that the impact of interlocks and professional firms on the premium decision would be stronger when managers are uncertain about the value of the acquisition target. Hypotheses were developed and tested on 453 acquisitions that occurred during 1986-1993. Results show that both interlocks and relationships with professional firms affect acquisition premiums. Premiums paid by an acquirer are related to those paid by their interlock partners and to those paid by other firms using the same professional firm. Only the interlock premium relationship, however, is stronger under conditions of uncertainty. Haunschild's research contributes to the understanding of the role of inter-organizational transfers of routines, practices and structures in inter-organizational decisions.

Schoonhoven et al. (1990) used the techniques of event-history analysis to examine the speed with which newly founded organizations ship their first products for revenues, an important entrepreneurial event. In a longitudinal study of new ventures in the U.S. semiconductor industry, they found that substantial technological innovation lengthens development times and reduces the speed with which first products reach the marketplace. Organizations that undertook lower levels of technological innovation had relatively lower monthly expenditures. Organizations whose founding organization structures included both a manufacturing and a marketing position had more competitors in the marketplace, and were founded in the Silicon Valley region of the U.S., shipped their first product for revenues significantly faster than other new ventures.

Palmer's et al. (1993) research presents a refined test of the institutional, political and economic accounts of adoption of the multidivisional form (MDF) among large U.S. industrial corporations in the 1960s, most notably by elaborating the institutional account. Results suggest that institutional processes, including coercive and normative dynamics, substantially underpinned the MDF's diffusion during the 1960s. Firms producing in industries that shunned the MDF earlier in the 20th century were slow to adopt this form in the 1960s, an effect mediated by the percentage of firms in a company's sector using the MDF at the time. In addition, firms with high debt-to-equity ratios, whose chief executives had elite business school degrees, and whose directors had non-directional corporate board contacts with the directors of MDF firms, adopted the MDF more frequently than other firms.

3.4 Institutional Theory and Accounting & Organizational Studies

Carpenter and Feroz (2001) argue that institutional theory can complement economic theory in explaining accounting choice in the public sector. Furthermore, they argue that non-economic factors such as organizational values, politics and institutional norms may determine bureaucratic self-interest. Carpenter and Feroz examined four U.S. state governments' strategic responses to the institutional pressures for U.S. governmental units to adopt generally accepted accounting principles for external financial reporting, which began in the early 1970s. They also contributed to institutional theory by showing how organizational structures and practices became institutionalized over time in four specific cases. They concluded that after GAAP adoption, the budgetary decision-making process is decoupled from the external financial reporting process and the GAAP is, at least initially, a symbol of legitimacy in the public sector.

Hussain and Hoque (2002) analyze the performance measurement of four Japanese banks using New Institutional Theory. The results of their research show that several institutional forces influence the banks to implement a particular measurement system. Covaleski et al. (1993) used the institutional perspective to extend this conceptualization of a case-mix accounting system. They stated that the institutional perspective proposed that many elements of organizational structure, such as case-mix accounting systems, reflect as much a need to conform to societal expectations of acceptable practice as the technical imperative of fostering rationality. Furthermore, their research extended institutional theory regarding the issues of power and decoupling by considering institutionalization to be an unfinished process in the health-care context, wherein the active agency of individuals and organizations is subject to systematic examination.

Carruthers (1995) presents an overview of the research project, covering both the past and the present, and including both theoretical statement and empirical implications. Galaskiewicz (1991) examined the ways in which field leaders can act purposively to construct and create institutions which in turn control and govern organizations' actions. He shows that organizations will respond to social pressures emanating from the larger society and will make strategic choices on those grounds. Furthermore, Galaskiewicz shows that systems of social control are created and enforced by inter-organizational field leaders in a rational and purposive manner. Moreover, Galaskiewicz's article highlights the importance of embedding institutional analysis in a historical context and the importance of social learning. Finally Galaskiewicz (1991:299) stated that "our results exemplified the difficulties of doing causal analysis within the institutional framework, particularly when the interface between the micro and macro-orders is complicated."

Fligstein (1985) examined large firms in order to show that diversification was an economic process that depended upon the location of organizations in organization fields. Furthermore, Fligstein (1985:380) stated that:

> First, key actors in those organizations articulated a new view of the firms' strategy and had the power to implement that view. Second, other firms in the organizational field acted as role models so that key actors were able to bring about a change in strategy. Some form of stock in the organizations' field was a necessary, although not sufficient, impetus to change.

Karabel et al. (1983) examined the applicability of the New Institutionalism in organizational studies to a case of institutional change. Karabel's et al. (1983:30) study focuses on the transformation of American two-year community colleges from predominantly liberal arts to predominantly vocational training institutions. They also argue that

> the greater the degree of mobilization of politically relevant groups in civil society the less autonomy administrators have to pursue their own distinct organizational – or professional – interests. A comprehensive institutional model of change thus must take into account both the pursuit of organizational interests and the role of group struggle in shaping organizational structures and policies.

Orru et al. (1989) investigated the organizational isomorphism in East Asia and claimed that institutional pressures can contribute to the emergence and the maintenance of market order both within and between competitive organizations. They found that large business groups in South Korea, Taiwan and Japan operate according to different institutional principles and exhibit different organizational and inter-organizational structures that manifest those principles. Orru et al. (1989:560) argued that "East Asian economies have prospered not because they have unilaterally adapted to technical environmental requirements, but because they have successfully institutionalized the principles of market activity suited to their sociocultural environment and to their strategies of economic development."

Singh and Lumsden (1990) explored the relationship between ecological and institutional approaches empirically by studying changes in a population of voluntary social service organizations over time. They found that the institutional changes significantly altered the nature of the ecological dynamics, and their findings supported the arguments which suggest that organizations attempt to alter their structure and features to reflect the changing institutional environment.

Zucker (1977) examined the effect of different degrees of institutionalization in constructed realities on cultural persistence in three distinct experiments. Zucker states also that transmission from one generation to the next occurs with the degree of generational uniformity directly related to the degree of institutionalization. Once the transmission has taken place, maintenance of the culture must occur. Finally, Zucker argues that once the maintenance has occurred, cultural persistence depends on the resistance to attempts to change. Hirsch (1997) stated that neo-institutionalism seeks to shift the organizational subfield focus more toward the macro-sociological units of nation states. To achieve this shift, the world system will need research on policy settings and the interplay of competing interests. Hirsch also states that Scott (1995) shifts away from his valuable recounting of how organizational sociology arose in order to present the analytical centre piece of the volume. Scott's (1995) new typology offers three institutional "pillars" created to explicitly emphasize the differences that separate perspectives on institutions.

These three categories – the regulative, normative and cognitive "pillars" – incorporate the legal, social and cultural aspects of institutional theories and research. Scott's decision to treat these process issues separately and to defer raising them until well after presenting the orienting "omnibus definition" is consistent with what

DiMaggio and Powell (1991), Zucker (1988), and Porrow (1984, 1985) have noted as the lower priority accorded political dynamics, social movements and social change by "neo-institutional" theory more generally (Hirsch, 1997:1710).

3.5 Evaluation of Institutional Theory

This section discusses the strengths and weaknesses of institutional analysis. Institutional theory is usually seen as anti-theoretical and anti-mathematics. This is contrary to neo-classical economics, which is seen as theoretical. Furthermore, mathematical neo-classical economists portrayed economics as a predictive science that involved specifying a theory and empirically testing it. Institutionalism presented economics as a policy-driven combination of the study of institutions and empirical facts about the economy, with no formal theory and no definitive empirical tests.

Selznick (1996) expresses some concerns regarding the ethos and direction of the New Institutionalism. The New Institutionalism focuses on legitimation as a sustained and driving force among organizational actors. Legitimacy is the main point and is seen as an organizational imperative that is both a source of inertia and a summons to justify particular forms and practices. Furthermore, Selznick stated that the justification encourages institutional mimesis, which means that an organization is highly sensitive to the cultural environment within which it lives. Selznick (1996:277) also stated:

> My impression is that we need a period of stock taking. The agenda should include thoughtful attention to the policy relevance of organizational and institutional theory. Concern for policy is an important source of intellectual discipline. It tell us, among other things, that we cannot be satisfied with the new idiom, or a new way of thinking, if it fails to take account of contexts and

> variations. And it directs our attention to genuine problems of institutional life, which may not be same as the problems that intrigue institutional theorists.

Another interesting criticism of institutional theory has been its assumptions of organizational passivity and its failure to address strategic behaviour and the exercise of influences in its conceptions of institutionalization. In terms of the critiques of institutional theory, Mizuchi and Fein (1999) argue that one aspect of DiMaggio and Powell's (1983:70) essay on institutional isomorphism, and especially on mimetic isomorphism, has been socially constructed. Moreover, they state that,

> Authors have selectively appropriated aspects of the work that accord with the prevalent discourse in the field, and (that) centrally located researchers in sociology and organizational behaviour are more likely than other scholars to invoke this dominant interpretation of their article.

Oliver (1991) argues that institutional explanations of reproduction and isomorphism emphasize the role of conformity, habit and convention, rather than organizational power and control, in contributing to stability, and power tends to be attributed to the institutional environment rather than the organization. Neo-institutional theory is not strong in analyzing the internal dynamics of organization change. As a result, the theory is silent on why some organizations adopt radical change whereas others do not, despite experiencing the same institutional pressures.

Hughes (1936) stated that institutions exist in the integrated and standardized behaviour of the individual. Furthermore, institutions represent continuity and persistence; they exist only to the extent that they are carried forward by individuals. Scott (1995) argues that there is little attention given to organizations. Some theorists focused their analysis on wider institutional structures, on constitutions and political systems, on language and legal systems, whereas others emphasized the emergence of common meanings and normative frameworks out of social interaction. Scott (1995:40) stated:

> Theorists in the 1950s and 1960s began to recognize the existence and importance of particular collectives – individual organizations – that were distinguishable from both broader social institutions, on the one hand, and the behavior of individuals on the other. Theoretical attention in the 1970s and 1980s to the significance of organizational fields – interorganizational systems exercising some controls over individual organizations but themselves linked to wider institutional frameworks – marks a development of similar import with relevance for current theory and empirical studies.

Furthermore, Scott argues that the first early attempt to introduce institutional arguments to the study of organizations was made by Silverman (1971) who proposed an "action" theory of organization. Silverman proposed a phenomenological view of organizations, taking into account the work of Durkheim (1961), Schütz (1962), Berger and Luckmann (1967) and Goffman (1961), which focuses attention on meaning systems and the ways in which they are constructed and reconstructed in social action. Moreover, Scott stated that the work of Meyer and Rowan (1977) and Zucker (1977) marked the arrival of neo-institutional theory in the study of the sociology of organizations. Meyer and Rowan view institutions as complexes of cultural rules that were being increasingly rationalized through the actions of professions, nation states and the mass media, and that hence supported the development of more, and more types, of organizations.

Zucker (1977) emphasizes the micro-foundations of institutions, and focuses upon institutionalization as a process rather than as a state, i.e., upon the cognitive processes involved in the creation and transmission of institutions. Zucker also stresses the power of cognitive beliefs to anchor behaviour. Zucker argues how small variations in exteriority and objectivity could create varying amounts of institutionalization. By contrast, most work at the macro level has taken institutionalization for granted and simply examined its intuitive effects. Zucker (1977:740) stated in conclusion that:

> Without a solid cognitive, microlevel foundation, we risk treating institutionalization as a black box at the organizational level, focusing on content at the exclusion of developing a systematic explanatory theory of process, conflating institutionalization with resource dependency, and neglecting institutional variation and persistence. Although important insights can be gained by examining the content of institutions, there is an ever-present danger of making the neo-institutionalist enterprise a taxonomic rather than an explanatory, theory-building science. Institutional theory is always in danger of forgetting that labelling a process or structure does not explain it.

DiMaggio and Powell (1983) and Meyer and Scott (1983) develop the macro perspective, which has dominated sociological work and often focuses on the content, rather than the process, of institutionalization. DiMaggio and Powell (1983:78) argue that

> A comparison of macrosocial theories of functionalist or Marxist orientation with theoretical and empirical work in the study of organizations yields a paradoxical conclusion. Societies, so it seems, are smart, while organizations are dumb. Societies comprise institutions that mesh together comfortably in the interest of efficiency, the dominant value system or in the Marxist version capitalist. Organizations by contrast, are either anarchist federations of loosely coupled parts or autonomy-seeking agents laboring under such formidable constraints as bounded rationality, uncertain or contested goals and unclear technologies.

Jepperson (1991) argues that institutions and institutional effects are core to general sociology rather than peripheral to or competitive with it. Institutions can be powerful sources of both stability and change and the institutions effects should not be narrowly associated with explanations of stability, or thought to be irrelevant to change. Jepperson stated that due to institutional processes, the discussion of both institutions and action has remained insufficient.

Despite these critics of institutional theory, the theory has been defended by several authors. Oliver (1991), for example, argued that institutional theory is capable of explaining non-choice behaviour in the context of norms and beliefs that are taken for granted. Institutional theory illustrates how the exercise of strategic choice may be pre-empted when organizations are unconscious or blind to, or otherwise take for granted the institutional processes to which they adhere. Moreover, institutional theory is also capable of explaining organizational responses that are not precipitated specifically by interest mobilization.

Deephouse (1996) tested a central proposition of institutional theory, namely, that organizational isomorphism increases organizational legitimacy. Deephouse's results were consistent with Meyer and Rowan (1977) and DiMaggio and Powell (1983). Deephouse argued that organizations that conform to the strategies used by other organizations are recognized by regulators and the general public as being more legitimate than those that deviate from normal behaviour. Furthermore, the study shows that organizational legitimacy could be operationally defined using regulators and the media as sources. Deephouse concluded that isomorphism in the strategies of commercial banks is related to legitimacy conferred by regulators and the media, even in the presence of organizational age, size and performance.

Oliver (1991), taking into account the major critics of institutional theory, attempted to illustrate that the institutional framework can readily accommodate a variety of strategic responses to the institutional environment when the degree of choice and activeness that organizations exhibit in response to institutional constraints and expectations is not assumed to be invariant across all institutional conditions. Oliver stated that "this article has sought to demonstrate how institutional and resource dependence theories together identify a range of strategic and tactical responses to the institutional environment and the factors that predict the occurrence of these alternative strategies."

Colander (1996) defends institutional theory by arguing that the assumptions of neo-classical economics are simple models and do not even closely correspond to reality. Institutionalists bridge the disparity between the simple model and the observed reality. Colander (1996:441) observes that:

> The formal analysis of the need for institutions is grounded in the complexity of the economy. As mathematics has developed to deal with that complexity, the relationship between institutionalists and ultra mathematicians is changing. They are becoming allies, both arguing against the simplicity of even the most complex neoclassical economic model. The result will be a variant of the old chestnut about socialism being the longest path from capitalism to capitalism. In that spirit, neoclassical economics is the longest path from institutionalism to institutionalism.

Greenwood and Hinings (1996) state that neo-institutional theory contains insights and suggestions that, when elaborated on, provide a model of change that links organizations context and intra-organizational dynamics.

3.6 Chapter Summary

The purpose of this chapter was to lay the theoretical foundations for conducting the present study. It was argued that New Institutional Sociology (or New Institutionalism) could be adopted as a valuable theoretical framework for understanding management accounting systems and the decision-making process at the organizational level. New Institutionalism focuses on how organizations respond to conflicts of interest with and between organizations by developing administrative structures.

New Institutionalism argues that environments are being increasingly co-opted by organizations. New Institutionalists believe that people live in a socially constructed world that is filled with taken-for granted meanings and rules. Much of their action is neither intentional nor conscious, for it is undertaken unconsciously and as a matter of routine. In addition, the New Institutionalists have been surprised by how much organizational structure is shaped by the social environment.

As identified at the beginning of the chapter, contingency theory has been the dominant theory in management accounting research. Contingency theory proposed that there is a relationship between the environment and the accounting information system (Flamholtz et al., 1985). Contingency theory is overtly interdisciplinary, explicitly drawing from organizational psychology, sociology and administrative theory. Contingency theory is not adopted in this study because it is very deterministic. New Institutional Theory is much more concerned with the social construction of management accounting systems by organizational actors.

This chapter has presented the theoretical framework underlying the study. The next chapter presents the research methodology adopted for the study.

Chapter Four
Research Methodology

This chapter discusses the main approach followed in conducting the study. Issues discussed include the value and limitations of case study as a methodology in conducting research and the approach followed in gathering data. The chapter is organized into four main sections. Section 1 analyzes the case study approach. Section 2 examines the research method and evaluates its appropriateness in this context. Section 3 examines the mode of selecting the organizations and Section 4 provides a summary of the chapter.

4.1 Case Study Approach

4.1.1 Types of Case Studies

The thesis adopts a case study approach because of its ability to deal with a variety of evidence such as documents, artefacts, interviews and observations. A case study is an empirical inquiry that investigates a contemporary phenomenon within a real-life context where the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used (Yin, 1994). Yin (1994) argues that case study research represents the intersection of theory, structures and events. It is a scientific approach that attempts to ground theoretical concepts with reality. Yin (1994) identifies three types of uses of case study research. The first is the exploratory use which relates to pilot studies that can be used as a basis for formulating more precise questions or testable hypotheses. The second is a descriptive case study, which is an attempt to describe, for example, what happens when a new product is developed and launched on the market. The third type of case study is the explanatory approach, which attempts to find explanations for organizational practices.

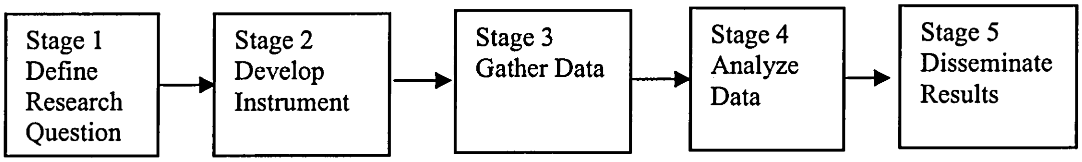

Fig. 4.1 Stages for Case Study Research (after Yin, 1994)

The case research process can be broken down into five critical stages as suggested by Yin (1994). The first stage of the research process involves defining the research question, which includes building a body of knowledge and developing theory. In the second stage, the researcher needs to develop measurement instruments to capture the data for future analysis. In the third stage the data are gathered, and in the fourth stage the data are analyzed. In the final stage the researcher disseminates the research findings or composes a case-study "report" (Figure 4.1).

It has been argued that in order to understand and experience the "real" world, positivist tendencies should be put aside to appreciate what is really happening in the field (Thomas, 1967; Weber, 1947). Schein (1987) notes that only through case studies will we be able to examine and understand non-standard forms of behaviour. Furthermore, the method of case study has been selected by the researcher because it offers the possibility of having a direct interaction with the researched. The researcher can therefore better comprehend the decision-making processes followed by the enterprises studied. Moreover, the case study method was used because the research was exploratory and explanatory. The literature review suggested that no research work has been carried out on the caves in Greece, especially concerning the role of accounting information in decision making. This research therefore explores the practice of decision making in the caves.

4.1.2 Strengths of Case Studies

Drury and Tayles (1995) argued that one of the most striking features emerging from a review of the management accounting research literature during the past decade had been the increasing emphasis given to empirical studies of management accounting practice. Furthermore, Drury and Tayles claimed that these empirical studies have consisted of mainly in-depth case study research focused on practices within a specific company. However, Drury and Tayles (1995) claimed that management accounting is still predominantly dominated by large scale surveys. Colvile (1981) argues that most accounting researchers have based their behavioural research on the natural science approach, a paradigm whose relevance and suitability for conducting social research has been increasingly questioned in recent years.

When using the survey approach, one must take into account that the contact between the researcher and the object of the research is limited. This means that the survey approach does not allow us to understand the actual roles that the accounting information plays in relation to the organization. Consequently, a survey method would not allow us to make an in-depth study of companies and we could also not find explanations for the practices that are used. Furthermore, by using the survey method approach the historic, political and social influences of decision making by use of accounting information would be left out. Therefore, as Preston (1991) emphasized, the survey method does not recognize the individual as an active being who participates in a budget's formulation. Patton and Appelbaum (2003:60) argue that

> It is commonly asserted that qualitative research in the organizational sciences lacks the rigor and objectivity of the quantitative approach. Case studies, while commonly used for educational purposes, have been viewed in a less favorable light in terms of research. Case studies represent an important research track in organizational science, not only as a method of generating hypotheses for quantitative studies, but for generating and testing theory.

In addition, Kjellen and Soderman (1980:153) point to some further uses of case study research, namely, to generate theory and as a means of initiating change. Furthermore, they argue that an important advantage of case study research is the opportunity for a holistic view of a process:

> The detailed observation entailed in the case study method enables us to study many different aspects, examine them in relation to each other, view the process within its total environment and also utilize the researcher's capacity for "verstehen". Consequently, case study research provides us with a greater opportunity than other available methods to obtain a holistic view of a specific research project.

In addition, case studies can be of particular value in the applied social sciences where research often aims to provide practitioners with tools. Alloway (1977) states that case study research is particularly useful "when the audience are managers who must implement findings". Furthermore, Alloway (1977:99) argues that,

> Research addressed to practitioners … carries the additional burden of drawing recommendations from the findings which are, one, understandable and two, implementable. The familiarity of a managerial audience with the language, data format and analyses used in case research is alone a major advantage. Further, the conceptual and descriptive richness of the data

gathered enables the practitioner to assess for himself the applicability of the findings to his circumstances.

Otley and Berry (1998) argue that case studies appear to have a number of potential roles to play, but the central role seems to be that of exploration. Furthermore, Otley and Berry (1998:106) state:

> The idea of exploratory case goes beyond that of mere description towards explanation. If we consider research from the positive stance, to be a cycle between theory (explanation) and data (description), then we can distinguish between deductive and inductive modes. Deductive work generates hypotheses from theoretical assumptions and tests them against empirical observation (data). This mode is concerned with the potential falsification of theoretical statements by checking their predicted consequences against real-world observations. Inductive work consists of making generalizations from observations resulting in theoretical statements which attempt to explain the occurrence of the observed phenomena. Complete loops of this inductive-deductive cycle, theory generation and theory testing, can contribute to the progressive shift spoken of by Karl Popper (1963).

According to Eisenhardt (1989), case studies typically combine data collection methods such as archival searches, interviews, questionnaires and observation. While quantitative data often appears in case studies, qualitative data usually predominates. In spite of their frequent use and long history, case studies have historically been stereotyped as a weak sibling among social science methods (Yin, 1984). Investigators who utilize case studies are regarded as having deviated from their academic disciplines and their investigations are purported to lack precision, objectivity and rigour. Patton and Appelbaum (2003) argue that "The traditional school of management thought can be traced all the way back to the seventeenth century and the views of Descartes and Newton that the whole is the sum of its parts (Gummesson, 1991)".

In this "natural science" approach to management, activities and behaviours are broken down and compartmentalized, and management is viewed as a series of steps to follow; quantification and logic are the dominating forces. This traditional school treats the fact that workers and organizations consist of human beings as almost an afterthought. While the case study was the approach of choice for sociologists in the United States at the turn of the century, with the University of Chicago at the fore-front (Hamel, 1993), quantitative statistical methods in sociology, championed by Columbia University, gained a great deal of ground by the mid-1930s and quickly took centre stage. Since World War II, sociology has also been dominated by the natural science model (Sjoberg et al., 1991). A major reason why case studies are viewed in a negative light is that many equate "precision, objectivity and rigor" with quantitative measures (Sjoberg et al., 1991:30). Gummesson (1991) notes that qualitative measures are often classified as second-rate by universities and business schools. Given that qualitative methods of data collection normally predominate in case studies, it logically follows that they are held in somewhat lower esteem. Patton and Appelbaum (2003) argue that "in general, case studies are the preferred strategy when the investigator has little control over events and when the focus is on a contemporary phenomenon within some real-life context" (Yin, 1984).

Yin identifies at least four different applications for case studies. First, it is used to explain the causal links in real-life interventions that are too complex for a survey or experimental strategies. The difference with the natural science approach in terms of explanation is that, while the natural sciences seek to explain universal truths, case studies strive to explain the particular case at hand with the possibility of coming to broader conclusions. The second application of case studies is to describe the real-life context in which an intervention has occurred. Third, a descriptive case study of an intervention can serve as an evaluation tool. Finally, the case study strategy may be used to explore those situations in which the intervention being evaluated has no clear, single set of outcomes. This last application indicates that case studies can be useful for theory generation while the natural sciences approach is usually used for theory testing.

Hamel (1993) highlights that all social science studies must start off with a theory based on a review of the literature relating to the subject under investigation and this theory must then be validated through the study of a specific object, phenomenon or social problem. The key point is that before a theory can be validated, it must be constructed. In other words, a theory or theoretical framework first emerges through the inductive approach of studying an empirical case or object, not through a deductive process. Hamel further asserts that all theories are initially based on a particular case or object. Eisenhardt (1989) argues that the case study method's in-depth style and use of different methods frees the researcher from the shackles of strict procedure, unfreezes thinking and increases the likelihood of generating novel theory.

Stake (1995) highlights many triangulation methods used in case studies to increase validity: analyzing data in different spaces, at different times and in different contexts; having other researchers, perhaps from totally different backgrounds, review procedures and conclusions; and using different data sources to study the same object (interviews and archived records) all serve to attain triangulation and increase confidence in conclusions.

Qualitative designs call for the persons most responsible for interpretations to be in the field, making observations, exercising subjective judgement, analyzing and synthesizing, all the while realizing their own consciousness. For mainstream quantitative researchers, these interpretations and judgement create problems of reliability, which is often judged by the ability of an experiment or study to be replicated by another researcher who reaches identical conclusions. However, the identity and interpretation of the researcher need not affect the validity of the study.

Pre-understanding refers to such things as people's knowledge, insights and experience before they engage in a research project (Gummesson, 1991). Gummesson (1991) notes that an individual's pre-understanding is primarily influenced by five elements: (1) a knowledge of theories; (2) a knowledge of techniques; (3) a knowledge of institutional conditions; (4) an understanding of social patterns which encompasses a company's cultural value system of often tacit rules of cooperation, social intercourse, communication, etc; and (5) the personal attributes of the researcher, such as intuition, creativity, vitality and human understanding. While a lack of pre-understanding will cause the researcher to spend considerable time gathering basic information, pre-understanding can be a serious threat to the objectivity of a study as it introduces bias on the part of the researcher. Those who are able to balance on the razor's edge use their pre-understanding but are not its slave (Gummesson, 1991). It is essential that pre-understanding be subject to change, that the researchers be aware of their own paradigm, selective perception, and personal defence mechanisms; moreover, they must also take into account the fact that their own possible insecurity or other personality factors may influence their research (Gummesson, 1991).

Obviously, as Gummesson points out, the researcher in such a situation must be mature, open, honest and possess a strong focus and sense of discipline. It is also crucial that the case study researchers make their identity known up-front in very explicit terms. Undoubtedly, the researcher's subjectivity does intervene, but to the extent that this intervention is clearly stated, it then becomes objectified into something that is clearly the researcher's point of view (Hamel, 1993). Therefore, the researcher is a variable in the research design. Consequently, the only way some form of objectivity can be sustained is through critical reflection, through recognition that one's research results may well be shaped by one's position in the power structure and by the ideological context within which one carries out social activities (Sjoberg et al., 1991). If the researcher is aware of his or her viewpoint and paradigm, he or she may be, in fact, more open to new possibilities and new explanations.

In essence, qualitative case studies in management are valid and reliable. They fulfil the basic tenets of research and occupy a significant niche. However, the problem for most classical, quantitative researchers is that they are different. If being different is a problem, it is possible that this real-life method of inquiry may be a new solution.

Dubé and Paré (2003) argue that the striking feature of case study research is the frequent overlap of data analysis and data collection (Eisenhardt, 1989; Miles and Huberman, 1994; Yin, 1994). Miles and Huberman proposed a series of methods to help fieldwork cycle back and forth between thinking about existing data and generating strategies for collecting new, often better, data. Much information in case research is often revealed in casual conversation and needs to be recorded in the form of field notes (Van Maanen, 1988). Field notes should be as complete as possible and include not only verbal information but non-verbal communication and descriptions of the context of the conversations.

In qualitative methods, including case research, coding represents another tool to support researchers during early analysis. Codes are especially useful tools for data reduction purposes and having a coding scheme in an appendix helps to facilitate a replication or an extension to a given study and allows the reader to see the logical link between the theoretical model and the codes.

Visual displays are an important part of qualitative analysis (Yin, 1994) and displaying data is a powerful means for discovering connections between coded segments (Crabtree and Miller, 1999). Data displays also transmit synthesized information to the reader, which can help demonstrate the chain of evidence and ultimately the findings.

Miles and Huberman (1994) observed that 55 percent of all the case articles inspected directly presented or reported the use of one or more data displays. The effective use of data displays is illustrated in several studies including Kirsch and Beath (1996) and Zack (1993). Overall, their findings reveal that positivist case research published in the 1990s did not provide much information about the adoption of preliminary data analysis techniques and tools including field notes, coding and data displays. This represents another serious deficiency since technical rigour in analysis is a major factor in the credibility of qualitative findings (Patton, 1999).

4.1.3 Weakness of Case Studies

The case-based research method has some limitations. First, it could be argued that case studies may be limited by the degree to which the results can be generalized. Though this limitation can be overcome by using multiple cases, it must also be emphasized that the aim of case study research is not to provide statistical generalizations. Research through case study is the best way in which to define the role of accounting information on decision making, as it allows particular limitations to be recognized.

The case study research method can also be criticized for leading to massive, unreadable documents. As Stuart et al. (2002) argues: "much of the data from case-based research is qualitative and thus very difficult to represent in a convenient format for a journal article" (p.429). Yin (1994) notes that in order to avoid long narratives, the final document can represent the evidentiary base with summaries, tables, charts, selected examples and so forth.

Another major criticism of case-based research is that it lacks rigour. Yin (1994) provides guidelines for enhancing reliability and validity in case-based research. Yin (1994) outlines ways in which four logical tests for justifying a research design may apply to case research. These four tests concern: (1) construct validity; (2) internal validity; (3) external validity; and (4) reliability. Many researchers, such as Scapens and Roberts (1993), assert that the case study method puts the researchers at a disadvantage, as they cannot specify the limits of their research. Moreover, there is the problem of time where the event takes place. For instance, in terms of management inspections research, it is always difficult to determine how far the historic analysis of a management system can go.

Another problem concerns the degree of subjectivity which the researcher has to take into account. Because of the fact that case studies are often concerned with social phenomena, the analysis is frequently based on subjective judgements. However, because the analysis of the role of accounting information in decision making is a subjective phenomenon, its analysis should be assessed from the perspective of people who participate in designing and using these systems. Case study is therefore the most appropriate research approach to explore and understand management accounting systems in organizations.

A further problem for case study research is the degree to which the need for trust-worthy information will affect case reports. The companies in which or into which research is being carried out, in their attempt to withhold useful information for various reasons, can lead the researcher into not including this information in his/her research and yet this information could be of utmost importance to the research. This limitation is, however, addressed in this research by agreeing with the participating organizations to disguise their identity.

Hamel (1993) criticized case study research for its lack of representation of a point of observation of a social phenomenon and its lack of rigour in the collection, construction and analysis of the empirical materials that give rise to the study. The first criticism concerns the view that generalizations cannot be made on the basis of case studies while the criticism of a lack of rigour is linked to the problem of bias, which is introduced by the subjectivity of the researcher and that of the field informants on whom the researcher relies to get an understanding of the case. Case studies are also criticized for their lack of rigour due to the lack of standard methodological procedures. It could of course be argued that the lack of predetermined steps makes case studies harder and more demanding, although this is perhaps not a convincing counter to the accusation of a lack of rigour.

As stated above, case studies utilize a plethora of data collection methods including observation, interviews, histories and quantitative measures. Data collection is labour-intensive, can last months or even years, and data overload seems almost inevitable (Miles, 1990). Without the bounding of a strictly quantitative methodology, the intensive use of empirical evidence can yield theory that is overly complex. Therefore, discipline and focus are certainly required. It should also be noted that formal methodologies for qualitative data collection and analysis have been developed, for example, by Miles and Huberman (1994), for observing events, conducting unstructured interviews and coding qualitative data. Furthermore, the use of multiple data-collection methods provides stronger substantiation of constructs and hypotheses (Eisenhardt, 1989).

Patton and Appelbaum (2003) argue that the case study method is subjective and strongly influenced by the researcher. It is an undeniable fact that the researcher does play a central role in the outcome of the study. However, as suggested by Stake (1995), all research depends on interpretation which cannot be achieved under quantitative designs because of the limit on the role of personal interpretation from the development of the research design through to data collection and analysis.

4.2 Research Approach

Ballas and Venieris (1996) adopted a case study approach to investigate the role of management accounting practices in Greek companies. This method has the advantage of uncovering the actual processes of decision making and the role of management accounting information. In addition, the process of the interview allowed the researchers to explore broader issues about decision making and its context.

While there are many caves in Greece, only a few have been exploited and only eight are opened all year round. Questionnaire data was collected from the four show cave companies which the in-depth case study focuses on. Limiting the case study to only four caves was necessary to provide an in-depth analysis of the underlying management accounting practices. The experience the researcher has as a manager of one of the show caves helped in the data gathering process. Thus while some questions were developed based on the literature, others were developed based on the researcher's personal experience.

To explore the role of management accounting in decision making in the caves, the research was divided into three phases:

1. Phase one included gathering background information about the organizations by means of a questionnaire (see Appendix 1).
2. Phase two consisted of gathering various documents with details of decision making, data about them, and discussion of them.
3. Phase three consisted of conducting semi-structured interviews with the managers of the show caves.

Phase 1: Background Information

Gaining access to the companies was not difficult because as a manager of one of the show caves the researcher was able to communicate easily with the managers of these companies, from the general manager down to junior managers. The questionnaires were designed in such a way as to include diverse questions to fully understand the parameters of the use of accounting information and decision making in the organizations. Some questions focused on the background of the employees, such as age, educational background, position at the company and number of people supervised, and these were directly addressed to the person being interviewed and the questionnaire filled in by the researcher. This was helpful because this meant that the questionnaire was filled in on time. At this particular stage of the study, the researcher had plenty of time to spend with each interviewee and was thus able to inquire into the operation of the company.

Phase 2: Documentary Evidence and Discussion

In the second phase of the study, the researcher gathered documents from the companies and also had conversations with individuals in all the organizations. First, the researcher visited different departments, had discussions with different individuals in various positions, and asked for various particulars that corresponded to different documents, particularly ones of some historic interest.

Second, the researcher focused on the procedures and processes of decision making and the role of accounting information. The answers given show that the person responsible for gathering information in the decision-making processes is the general manager in each of the four show cave companies. The aim of the questions and of the conversations generally was to gain an understanding of historic and other changes that have contributed to the development of the processes followed in decision making, as well as to the development of the companies. The discussions as well as the documents gathered helped the researcher comprehend the decision-making processes followed in the organizations. The purpose of gathering evidence of decision making processes was to get to know both the historic and the current processes used by managements in decision making and the underlying accounting practices that informed their decision making.

The organizational structures of the companies, as well as their goals and intentions, were also examined. Documents helped to support the answers of those questioned, as well as to throw light on matters left unclear in the discussions. The major problem at this point was that several documents were classified as confidential and therefore were not allowed off the company's premises. However, the researcher took notes of every relevant document.

Phase 3: Formal Interview

The third phase involved interviews with managers at various levels of decision making. A number of managers in each organization were interviewed (see Table 4.3), with each of the interviews lasting two hours on average. The interview questions concerned accounting information, such as budget, cost management and procedures followed in decision making. It was understood by the interviewees that the main thrust of the research was about decision making. The interaction between interviewer and interviewee at times led to results that could not have been predicted. Some flexibility in the asking of questions sometimes times led to the interview being extended, sometimes lasting over two hours. Many times during the interview interesting issues arose which the researcher had not thought of.

The interview questions were divided into eight categories:

1. Interviewee's Background: Questions were asked to gather personal data such as age, sex, position in the company, position in a specific department, how many years the employee had been employed by the current company or had worked in a similar company, and last but not least, any degree and/or professional qualifications the employee had obtained. These kinds of questions helped the researcher to build up a background for each participant, allowing him to associate the decision-making process with the historic and professional orientation of every interviewee.

2. Company background: Questions related to both historic and recent data of the company, for example, the length of time that the company had been active in a particular sphere, its total turnover and net profit, its actual status, the number of its employees in permanent and/or seasonal positions. Other questions asked whether the company was active in a seasonal environment or not, and the number of accountants and economists employed by it. Others concerned the way in which the company's services were promoted, whether accounting information had influenced a specific promotion, and if there was a separate accounting system.

3. Budget: Questions were specifically related to the budget, asking about the interviewee's degree of participation in the formulation of the budget; whether there was a budget formulated every year; whether its implementation was supervised and who was responsible for its formulation and monitoring. Other questions asked whether the manager exerted influence over the budget, and if so to what extent; how frequently subordinates were consulted about the budget's formulation, and to what extent the company's performance had affected the budget's formulation.

4. Role of budget: Questions asked whether the budget was used as a bureaucratic tool or a management tool in the company; whether its formulation and use were compulsory; whether it was used as a planning tool; whether it was used to motivate the employees; and finally, whether it was used as a tool to evaluate the company's or the employees' performance. Open questions asked whether the interviewee had had the chance to voice his/her opinions about how he/she perceived the goal of the budget in the company.

5. External factors impacting the budget and others: Questions concerned any external influence on the preparation of the budget, specifically whether the mayor or the chairman of the board of directors had influenced its formulation; what were the principal problems in preparing the budget and the main advantages of drawing one up; how and how often were the budget and the employees' performance evaluated; who was responsible for performance evaluation; and whether there was a penalty to anyone who had not reached the performance goals.

6. Cost management: Questions concerned the role of cost management, with reference to the evaluation of the department's performance as a means of monitoring employees' performance, or as an aid to the development of services.

7. Role of accounting information: Questions concerned the degree to which accounting information influences decisions, such as invoice-related decisions; the design of new products or services; the engagement of new staff; or decisions concerning investments. Other sources of information affecting decision making, besides economic / accounting information, are also inquired into, for example, some questions concerned changes that had

been made in the companies during the last few years and about the extent to which decision making was influenced by the board of directors.

8. External factors impacting decision making: Questions concerned the influence of external factors on decision making in general, for example, concerning pressure brought to bear by the mayor, other political institutions or banks; pressure from members of the board of directors or managers of other organizations, either out of antagonism or on behalf of customers; pressure by professional bodies; pressure designed to increase the community's or society's satisfaction with the company's management of the caves; pressure to copy other, successful organizations.

The research process started with the researcher making contact with the people he sought to interview by telephone, before meeting them in person. The personal interview followed the telephone contact, with the researcher setting the questions in context. The interview procedure was that interviewees would be given the questions beforehand in order to prepare themselves so they would be able to highlight some evidence. As a result of successive interviews, some of the questions were changed or new ones introduced – the more time elapsed in the research process, the more the environment became familiar, and so even more questions related to hidden aspects of the given company came to light. The only problem affecting the interview process was that no tape-recordings were able to be made as the participants wished to remain anonymous, and so the researcher had to make extensive notes during each interview. This led to some interviews going over time, with questions at times having to be repeated and interviewees' answers having to be clarified.

4.3 Selection of Organizations

There are four major show caves in Greece, each run by a separate organization or "company". Three of the show cave companies are controlled by the municipalities (one jointly with the local prefecture) in which they are located and one is controlled by the Anthropology Association of Greece. The four companies are therefore largely public rather than private enterprises (although one or two operate as if they were private enterprises), with their respective "owners" making appointments to their boards of directors. The show cave companies have competitors, make their own decisions and are evaluated on their profitability. Most of the companies running show caves were established in the 1990s, with a few established three decades ago. Their average turnover is about €300,000 and their average net worth €135,000. The average number of employees within the companies is 33, half of whom are casual employees. None of the companies operates only seasonally.

The research was conducted by a survey of four show cave companies, followed by intensive case studies of these. The four show cave companies selected for the case study attract over 60% of the total number of visitors to show caves in Greece. Three of the companies are controlled by municipal councils (one jointly with the local prefecture) and the fourth by the Anthropology Association.

In order to ensure confidentiality, the show cave companies are referred to as Alpha, Beta, Gamma and Delta. Table 4.1 provides some background of the companies.

Table 4.1 Show Cave Organizations

Organi-zation	Ownership	Staff* *No.*	Annual Turnover (Euro)	Industry / Tourism	Objective
Alpha	Municipality (80%) Prefecture (20%)	35	400,000	Service	Profit, socially responsible
Beta	Municipality	30	350,000	Ditto	ditto
Gamma	Anthropology Association	30	150,000	Ditto	ditto
Delta	Municipality	35	400,000	Ditto	ditto

*Staff are both full-time and permanent; however, most of the show caves also employ additional casual staff during the peak season.

Overall, only a small number of the employees in any of the show cave companies are involved in the decision-making process in their respective organization. The number of employees so involved varies between 20% and 35%. In all four of the selected show case companies, Alpha, Beta, Gamma and Delta companies, decision making is the responsibility of managers at all levels: senior, middle and junior. The managers selected for the semi-structured interviews were all involved in the decision-making process in their respective organizations, and all were happy to participate in the research. All the participants were male and all were Greek nationals. Table 4.2 shows the number of senior, middle and junior managers interviewed.

Table 4.2 Managers Interviewed

Managers (by Seniority)	Companies				
	Alpha *No.*	Beta *No.*	Gamma *No.*	Delta *No.*	Total *No.*
Senior Managers	1	1	1	1	4
Middle Managers	4	4	4	2	14
Junior Managers	7	4	5	4	20
Total	**12**	**9**	**10**	**7**	**38**

The interview participants selected from each company include senior, middle and junior managers in both accounting and non-accounting positions. Table 4.3 shows the number of managers interviewed who were / were not involved in accounting.

Table 4.3 Managers Interviewed: Involvement in Accounting

Managers (by Seniority)	Companies							
	Alpha *No.*		**Beta** *No.*		**Gamma** *No.*		**Delta** *No.*	
	Accounting		Accounting		Accounting		Accounting	
	yes	no	yes	no	Yes	No	yes	no
Senior Managers	3	1	2	0	2	1	1	1
Middle Managers	2	1	2	1	1	2	1	1
Junior Managers	4	1	3	1	3	1	2	1
Total	**9**	**3**	**7**	**2**	**6**	**4**	**4**	**3**

4.4 Chapter Summary

The purpose of this chapter was to present the methodology adopted in the study. Although the case study method has some limitations, it was argued above that it is the appropriate research method to investigate the organizational dimension of management accounting systems, which is the focus of this study.

The small size of the show cave companies in terms of their number of employees means that the researcher was able to spend sufficient time with each interviewee. The small number of people involved in each cave company addresses the limitations of a case-based study where research can be criticized for leading to massive amounts of data.

The case study approach has been selected for this study because it offers the possibility of having direct interaction with the people who are, in a way, the objects of the research. The researcher can therefore comprehend better the procedures involved in the decision making of the cave companies. Moreover, the case study method was used because the research is exploratory and explanatory as only limited research has been carried out into the role of management accounting information in Greece in general, and in the show caves in Greece specifically.

This chapter has presented the methodology adopted in the study. The next chapter discusses the background of the Greek tourism sector.

Chapter Five
Greek Tourism Sector

The aim of this chapter is to provide a brief review of the Greek tourism sector. The chapter focuses on the role and usefulness of tourism in the Greek economy and the justification behind the show caves being a tourist attraction in Greece. The chapter is organized into six sections. Section 1 examines tourism in Greece, Section 2 the contribution of tourism to the Greek economy, Section 3 the characteristics of employment in tourism, and Section 4 the development of Greek tourism. Section 5 provides a detailed background of the Greek show caves, and Section 6 a chapter summary.

5.1 Tourism in Greece

Tourism in Greece has a long history dating back to the eight century B.C. when sports and cultural events such as the Olympic Games took place drawing spectators and visitors from many parts of Greece. Tourism has prospered over the years because of Greece's good climate and scenery: 2,000 islands and 9,000 miles of coast, historical and cultural heritage, and geographical proximity to Europe and the Middle East. National heritage sites such as the show caves and archaeological sites have also had a very positive impact in attracting tourists. The Greek National Tourism Organization (GNTO, 2002:13) states:

> During the last 25 years, Greek tourism has ceased to be simply an expression of the traditional principles of Greek hospitality to strangers which the ancient inhabitants of Greece deified in the form of Zeus Xenios or God of Strangers.

During the past few years, tourism has been transformed into a source of income of primary significance for Greece. The importance attached to the tourist sector in Greece was shown in the early 1960s when the Greek authorities established tourist offices in a number of major tourist generating countries. The organization managing the offices, namely, the Greek National Tourism Organization (GNTO), became an autonomous agency in 1950, but its origins can be traced back to 1929. The agency's role was both supervisory and developmental, involving planning, promotion, education, construction and management of accommodation and infrastructure, and financial assistance for private tourism businesses.

The policies of the GNTO were only marginally influenced by other agencies until 1983 when the GNTO came under the direct supervision of the Ministry of Economy and Planning. Today the GNTO comes under the supervision of the Ministry of Development. The Ministry of the Environment used to influence tourism through land policy and building controls; the Ministry of the Interior effected some control via the tourist police, which was responsible for collecting data and co-ordinating local services; and the Ministry of Culture, itself supervised by the Prime Minister's Office, was responsible for the professions (see Figure 5.1).

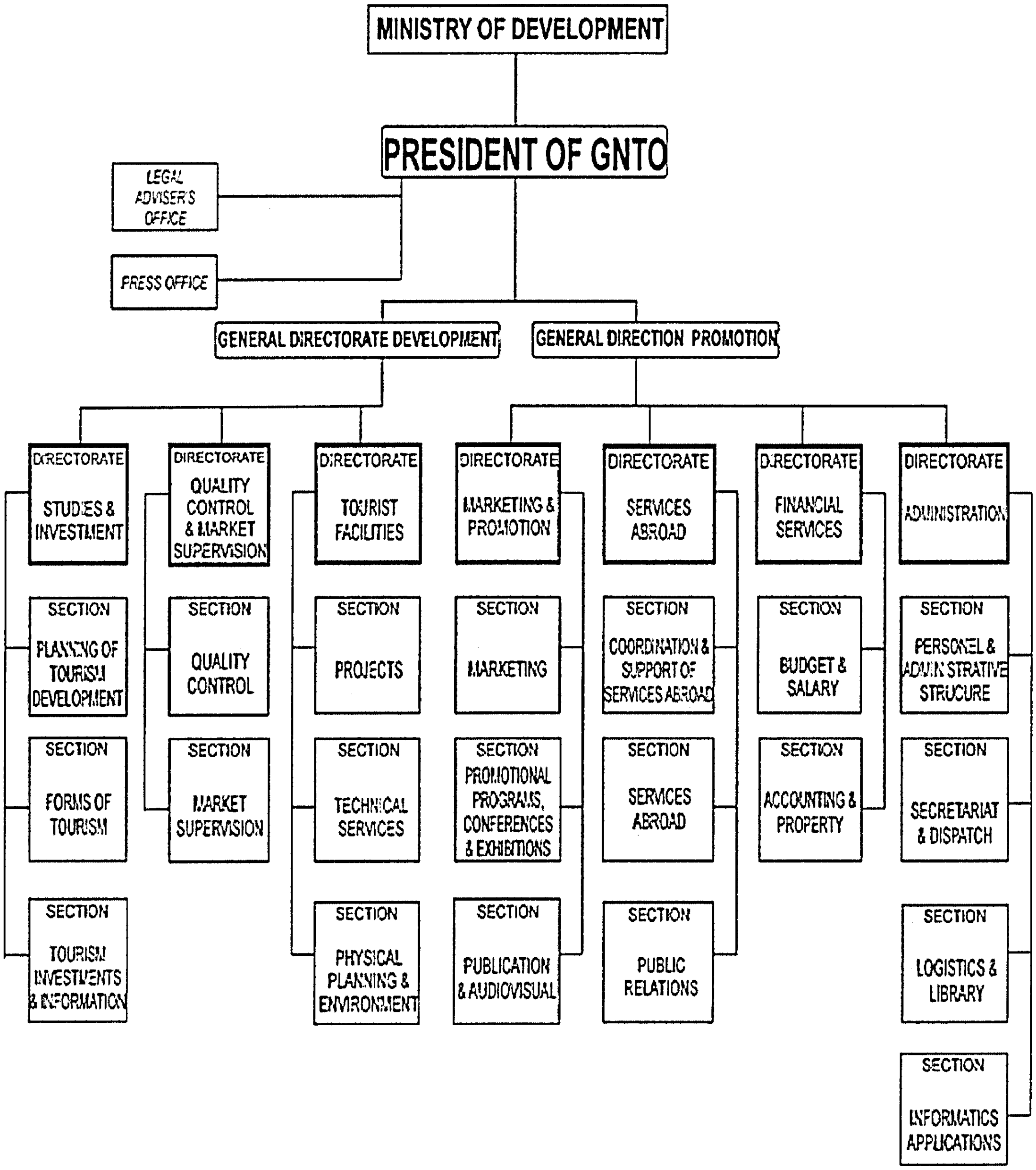

Fig. 5.1 Greek National Tourism Organization (GNTO) – Organizational Structure

The GNTO's main goal (Act 2160/93, art. 1, par. 3) is the organization, development and promotion of tourism in Greece, by means of exploiting all existing potential of the country. According to the Act, the GNTO is the main vehicle for the introduction, planning and implementation of tourism policy on the basis of the following "spheres" of activities / competencies:

1. Submits proposals to Government on tourism policy.

2. Implements the tourism policy adopted by Government.

3. Coordinates the activities of all ministries, and public and private entities responsible for servicing tourism goals.

4. Studies, constructs and supervises tourism infrastructure and development projects, and draws up related projects including the development of health resorts and spas.

5. Draws up and implements a plan for the country's promotion of tourism, both at domestic and international levels, and sees to the improvement of awareness of tourism.

6. Constructs, operates and supervises tourist installations of all categories as well as other tourism infrastructure facilities.

7. Undertakes responsibility for training in tourism.

8. Assists public services, local authorities and persons or legal entities whose activities aim to promote the GNTO's goals.

9. Undertakes any other activity or action aimed at organizing, developing and promoting tourism.

According to the recent Presidential Decree 343/2001, the GNTO's task is to:

1. Submit proposals to Government on tourism policy.

2. Implement the tourism policy adopted by Government.

3. Study and draw up plans for general and specific tourism infrastructure and development.

4. Draw up and implement a plan for Greece's promotion of tourism, both at domestic and international levels, and see to the improvement of awareness of tourism.
5. Supervise and control facilities of specific tourism infrastructure.
6. Assist public services, local authorities and persons or legal entities whose activities aim at local tourist promotion.
7. Draw up and approve programs for tourist areas.
8. Exercise supervision and control of the tourist market aimed at upgrading of the tourist product.
9. Undertake any other action or activity aimed at the organization, development and promotion of tourism, which is provided by dispositions in force and has not been transferred.

Greece comes 15th among the world's tourist destinations, receiving 14,033,378 tourists in 2001 (National Statistical Service of Greece, provisional data). The major proportion of tourists (92.25%) originated in Europe (70.4% from the EU), and 79.8% of foreign tourists came by plane. The total number of nights spent in hotel accommodation by foreign and domestic tourists in 2001 (61,567,209) marked a 0.43% increase over 2000.

The accommodation capacity of the 8,209 hotels is 601,034 beds (January 2002). Another 450,000 beds are provided by some 28,000 secondary accommodation establishments. There are also 351 camping sites with 30,643 pitches and 949 bungalows.

Besides the hotel, restaurant and catering sector, there are 7,500 travel agencies, rent-a-car agencies and yacht brokers. The contribution of tourism to GDP is estimated at close to 8%. Income from tourism in 2001 was 9,121 million USD (or 10,248 million euros). Employment in the tourism sector is estimated to reach 10% of total employment (6.1% direct and 3.9% indirect employment) in Greece.

During the past twenty years, Greece has developed a dense network of urban, long distance, railway, air and sea transportation systems, which play an important role in the country's tourist industry and its economic development at large. Although there is no urgent need to improve the basic tourism infrastructure, there is no room for complacency in view of the increasing demands of tourism. Areas that need improving include: modernization of the railway system and its extension to mountain regions and winter resorts, improvements of road signs, the extension of the motorway system to more towns and of tourism to less developed areas, especially to regions suited to winter tourism as well as the shows caves.

5.2 Contribution of Tourism to Economy

The conclusions of a recent study by the Organization of Greek Tourist Enterprises (OGTE) reveal the contribution of tourism to the development of the Greek economy (OGTE:23). First, in the period 1980-97, the increase of employment in the tourist economy was 87%, compared to only a 9.2% increase in total national employment. The contribution from tourism to GDP was 53% compared to only 4.6% from the industrial sector. The amount of the added value that is identified, direct and indirect, from tourism was around 15% of GDP (Table 5.1). The contribution of the tourism sector to the economic development of Greece over the last twenty years was 12 times larger than that of the industrial sector. The report also noted that tourism has improved the incomes of local districts over the last 20-30 years. Furthermore, foreign exchange from tourism is 2.5 times larger than that generated from the industrial sector. Finally, the OGTE study shows that Greece is fifteenth in tourist arrivals.

Table 5.1 Tourism in 15 Member States of European Union

Countries	Tourism as % of GDP	Employed in Tourism as % of National Employment
Spain	18.38	20.11
Portugal	15.40	16.96
Greece	**15.00**	**17.38**
Austria	14.85	16.77
Luxembourg	12.42	14.54
France	12.30	13.94
Finland	11.49	12.01
Italy	11.36	12.20
U.K.	10.87	10.22
Belgium	10.25	11.03
Germany	9.88	10.78
Holland	9.81	9.65
Denmark	8.74	8.81
Island	8.53	7.68
Sweden	7.52	7.22
Average	**11.78**	**12.62**

Table 5.2 Employment in Tourism in Greece 2000-2003 (O.G.T.E, 2003)

Year	Work Force *No.*	Employed *No.*	Unemployed *No.*	Unemployment Rate %	Employed in Tourism *No.*	Employed in Tourism as % of National Employment
2000	4,437,400	3,946,300	491,100	11.1		
2001	4,362,200	3,917,500	444,700	10.2		
2002	4,369,000	3,948,900	420,100	9.6		
2003	4,406,700	4,014,500	392,200	8.9	700,000*	17.38

*Direct employment 450,000 vs. indirect employment 250,000.

5.3 Characteristics of Employment in Tourism

A study by the Institute for Economic and Industrial Research (IEIR) showed that there was a wide spectrum of changes in employment from skilled to unskilled workers (IEIR, 2002:30). There were also changes for young people in the market and new market entrants. Tourism has created employment in peripheral regions and in regions where intensive structural unemployment exists, because of the dwindling of the primary sector and of investment in industry.

Most jobs in tourism were in small and medium-sized businesses. Tourism provides flexible working opportunities such as part-time or seasonal employment for people with family commitments and/or those who do not wish to engage in full-time employment. The percentage of women employed was high in indirect employment (mostly in hotels and agencies) and very high in indirect employment (accommodation, department stores, restaurants, etc.). The jobs taken by women (especially in hotels and agencies) were at low or middle levels, with only a small percentage of women in senior level management positions.

Another characteristic of employment in tourism was that it contributed to an increase in the population in tourist regions (especially after 1970). This was due to potential employment being offered by the tourism industry. On the other hand, regions with a traditional industrial base experienced an increase in unemployment. In industry, new technology decreased the number of jobs on offer while tourism maintained employment and even added jobs in other industries, such as agriculture and shipping. According to the census by the National Statistic Service (NSS) conducted in 2001 (NSS, 2003:30), regions that had experienced an increase in their permanent population and in employment were regions with tourism activity.

It was also interesting that according to the World Travel & Tourism Council (WTTC), for every permanent job in tourism, 2.63 places were created in the economy in general (WTTC,2001:40). All the above characteristics will make tourism in the future the most productive activity in terms of changes to employment, contributing the most to the achievement of targets for the reduction of unemployment.

5.4 Development of Greek Tourism

Until the 1990s, tourism in Greece developed at a greater rate than in Europe and the rest of the world. But in the decade from 1990 to 2000, the number of tourist arrivals in Greece increased at a smaller rate than in Europe generally (Table 5.3). These statistics show that Greece was a "mature" tourist economy within the meaning of the life cycle product tourist destination, which was in danger of reaching a period of stagnation. Stagnation is, of course, followed by periods of falls, of unknown duration, except if an economy reacts dynamically.

The annual change in arrivals in Greece in the period 1990-2000 was 47.59%, while the equivalent of the proceeds for the same period for the world was almost 50.32% (Table 5.3). The difference in the rate of change was not attributed to the fact that the expense per head had really improved (and of course in no way that the average duration of stay had grown), but mostly because the way of calculating the tourist travelling had changed (Table 5.4).

Table 5.3 Tourist Arrivals: Greece, Europe, World, 1950-2000 (GNTO, 2003)

Year	World		Europe		Greece	
	No. (million)	*Change* %	*No.* (million)	Change %	*No.* (million)	Change %
1950	25.3	–	16.8	–	33.3	–
1960	69.3	174.11	50.4	199.70	399.4	1098.33
1970	165.8	139.25	117.3	133.01	1,609.2	302.87
1980	286.0	72.50	188.3	60.50	5,271.1	227.56
1990	457.2	59.86	282.7	50.13	8,873.0	68.33
2000	**687.3**	**50.32**	**392.7**	**38.92**	**13,095.5**	**47.59**

Table 5.4 Greece's Tourists: Countries of Origin, 1998-2002 (GNTO, 2003)

Region	1998 *No.*	1999 *No.*	2000 *No.*	2001 *No.*	2002 *No.*
European Union*	7,663,483	8,789,371	9,219,271	9,871,550	9,637,540
Europe	10,174,303	11,320,013	12,216,964	13,228,103	13,375,590
Asia	358,574	434,276	451,816	467,761	470,429
Africa	38,738	48,040	60,955	58,104	52,800
U.S.	291,507	305,261	300,213	231,675	217,369
Oceania	52,924	56,498	67,597	71,688	63,812
Total:	**10,916,046**	**12,164,088**	**13,095,545**	**14,057,331**	**14,180,000**

*Total does not include figures for the European Union as the EU is included in the figures for Europe.

Research by the Institute for Economic and Industrial Research (IEIR) shows that Greek tourism has been the catalyst for the development of the Greek economy. This is mainly due to the increase in the level of employment, within the limits set for the protection of Greece's natural and cultural environment. The WTTC (2001) predicted a rate of development for Greek tourism of 2.3% which was revised to 4.7% for the year 2002. The World Trade Organization (WTO, 2001) predicts an annual rate of development for Tourism in Greece of 2%. This means that in 2010 Greece can expect the number of tourist arrivals to be anywhere between 15.6 and 20.7 million visitors. Furthermore, the Institute for Tourism Research and Prediction (ITRP, 2003) estimates that there will be 500,000 more arrivals each year until 2010 as a result of the 2004 Olympic Games. This implies that there will be almost 17.5 million tourist arrivals in Greece in 2010.

The IEIR, taking a different approach, estimates a 6.7% increase in arrivals between 2003 and 2010. If these estimates are accepted, coupled with a constant rate of development for 2001 and 2002 at 3.5%, this corresponds to more than 21 million arrivals in 2010. One conservative scenario allows for a case/target rate of development of 4.5%, taking into account the success of the 2004 Olympic Games (Table 5.5). The financial target for the tourism industry for 2010 is 15 million USD.

Table 5.5 Greece's Market Share in 2000-2010 (GNTO, 2003)

Year	World *No.* (million)	Europe *No.* (million)	Greece *No.* (thousand)	Europe Share %	World Share %
2000	687.3	392.7	13,095.5	3.32	1.89
2010	1,006.4	527.0	20,336.9	3.86	2.02

Table 5.6 shows different authorities' estimates of tourist arrivals and income between 2000 and 2010.

Table 5.6 Tourist Arrivals and Income in Greece, 2000-2010 (GNTO, 2003)

Year	ITEP 2.9% *No.* (thousand)	CONSTANT 4% *No.* (thousand)	OGTE 4.5% *No.* (thousand)	WTTC 4.7% *No.* (thousand)	IEIR 6.7% *No.* (thousand)	Income USD (million)
2000	13.095	13.095	13.095	13.095	13.095	9.221
2001	14.057	14.057	14.057	14.057	14.057	9.682
2002	14.180	14.180	14.180	14.180	14.180	10.166
2010	17.354	19.328	20.336	20.729	21.453	15.020

The IEIR attempted to estimate employment in the Greek tourism sector. It argued that there were difficulties involved in estimating employment with a horizon of 2010. It was obvious that a series of variables had to be evaluated, which included at least the following: (1) number of arrivals and stays per night; (2) number of places of accommodation, distinguishing between classic hotels and B&B accommodations; (3)

number of related businesses; (4) differentiation of the tourist service; (5) changes in the productive employment in the tourist industry; (6) changes casual to permanent employment; (7) progress in world tourist demand; and (8) external influences on the Greek economy.

5.5 Show Caves

5.5.1 Greek Mythology of the Cave

Plato's myth of the cave describes individuals chained deep within the recesses of a cave. Bound so that vision is restricted, they cannot see one another. The only thing visible is the wall of the cave upon which appear shadows cast by models or statues of animals and objects that are passing before a brightly burning fire. Breaking free, one of the individuals escapes from the cave into the light of day. With the aid of the sun, that person sees for the first time the real world and returns to the cave with the message that the only things they have seen heretofore are shadows and appearances and that the real world awaits them if they are willing to struggle free of their bonds.

The shadowy environment of the cave symbolizes for Plato the physical world of appearances. Escape into the sun-filled setting outside the cave symbolizes the transition to the real world, the world of full and perfect beings, the world of forms, which is the proper object of knowledge. The theory of forms may best be understood in terms of mathematical entities. A circle, for instance, is defined as a plane composed of a series of points, all of which are equidistant from a given point. No one has ever actually seen such a figure, however. What people have actually seen are drawn figures that are more or less close approximations of the ideal circle. In fact, when mathematicians define a circle, the points referred to are not spatial points at all;

they are logical points. They do not occupy space. Nevertheless, although the form of a circle has never been seen – indeed, could never be seen – mathematicians and others do in fact know what a circle is. That they can define a circle is evidence that they know what it is.

For Plato, therefore, the form "circularity" exists, but not in the physical world of space and time. It exists as a changeless object in the world of forms or ideas, which can be known only by reason. Forms have greater reality than objects in the physical world both because of their perfection and stability and because they are models, resemblance to which gives ordinary physical objects whatever reality they have. Circularity, squareness and triangularity are excellent examples, then, of what Plato meant by forms. An object existing in the physical world may be called a circle or a square or a triangle only to the extent that it resembles – "participates in" is Plato's phrase – the form "circularity" or "squareness" or "triangularity."

Plato extended his theory beyond the realm of mathematics. Indeed, he was most interested in its application in the field of social ethics. The theory was his way of explaining how the same universal term can refer to so many particular things or events. The word justice, for example, can be applied to hundreds of particular acts because these acts have something in common, namely, their resemblance to, or participation in, the form "justice."

5.5.2 Show Caves as Tourist Attractions

Tourism can be defined as the "temporary movement of people from their permanent stay in another place, for reasons mostly entertaining without speculative motive, and the organized effort for the attraction, welcoming and service of these people"

(Logothetis, 1982). Contemporary tourism can be understood as a massive phenomenon of human movement, which is caused by the human need for a change of environment, and the wish to know different histories and customs. The economic causes of the development of the tourist phenomenon were an increase in incomes and improvement of transport. The main reason for the tourist phenomenon was a search for entertainment, which can be distinguished from other motives, including athletic, artistic, curative, commercial, agricultural and educative conferences.

Tourist locations can be classified into the following categories: locations near the sea, island locations, lakeside locations, mountainous locations, woody locations, thermal spring locations, religious locations and cultural locations. Within the bounds of the component elements that constitute the tourist network, show caves can be classified as tourist locations. Show caves, distinguishing elements of an ecosystem, can be important sources of income for the country because of their aesthetic value and the scientific interest they hold for some. Tourism has organic significance for a local district because of the wide geographic distribution of the natural and cultural elements which compose the first materials of the tourist industry. It is therefore correct to analyze the show cave as a pole of attraction and component element of the tourist movement.

The modern form of tourism is a massive and organized movement of people. Despite short-time beneficial consequences, including that provided by the multiplier effect on the economy, modern tourism has a number of disadvantages, including its intense seasonal character and its reliance on foreign travel agencies. Some forms of tourism are less susceptible to these disadvantages. For example, special forms of tourism offer high-quality entertainment, a positive contact with nature and a positive approach to people and their customs and traditions, giving a new "social" look to the tourist phenomenon.

The show cave as a tourist location can be a pole of attraction in the context of the forms of tourisms discussed above as well as other forms, such as scientific winter tourism, conference tourism, cultural and social tourism. This is because show caves have attracted important scientific interest because they relate directly to history, archaeology, mythology, religion, palaeontology and geology (Dermitzakis and Georgiadou, 1982). Palaentological, anthropological and archaeological findings such as of human and animal skeletons and skulls, and tools and rock writings, give support to the theory that the first humans in earth used the caves as a place of abode and worship. While many Greek show caves have such life evidence, generally they can be said to have provided material for the study of ancient Greek civilization.

There is not only a direct relationship between the caves and Greek mythology and folk traditions, but also between the caves and religion. The caves were places of worship of gods and demigods; sources of legends and tradition created by folk imagination; places of Christian faith, functioning, for example, as Christian catacombs; and also places for the construction of monasteries and churches (Petrohilos, 1984). Finally, Petrohilos argues that the show cave can be regarded as a component element of the tourist movement that provides mostly educational, scientific and aesthetic reasons for a visit.

In transforming the show cave from a natural phenomenon into a major tourist attraction, one must seriously consider the natural environment. Tourism can have serious negative consequences for the environment if the wrong choices are made in relation to the installation and access to a tourist location.

It should be noted that the presence of tourists usually leaves negative traces, because their visits may cause damage to any of the elements constituting a tourist site which they come in contact with, particularly in an environment as sensitive as the caves. However, the damage is greater when tourists are too large in number and are uneducated about the environmental consequences of their actions. Education is needed to ensure that visitors are sensitized to issues of conservation and protection of the environment.

Any decision to exploit the caves as a tourist location demands a special study. A number of competing issues must be considered, including the pressures of tourism as a form of consumption and as a carrier of culture and of ideas on the local community. Greece is a country especially blessed with natural beauty; it has mountainous landscapes with fabulous beaches and underground treasures such as the show caves. More than 7,500 cast formulations have been discovered, recorded or explored in Greek speleological formulations, i.e., in caves, precipices, dolines and swallow-holes. Of these, 3,400 are located in Crete and 420 in Attica. More than a hundred of the caves are designated tourist locations, and are promoted worldwide. Of these, only a small number (18) have been exploited. The large number of caves in Greece is due to the fact that 65% of Greece is covered by limestone petrifactions, petrifactions in which the caves are growing and other underground casts form.

5.6 Chapter Summary

The purpose of this chapter was to examine the tourism sector in Greece, and the justification behind the show caves being one of the major tourist attractions.

The analysis presented in this chapter suggests that, first, in the period 1980-1997 the increase in employment in the tourist economy was 87%, compared to only 9.2% in total national employment. It has also been shown that the amount of direct and indirect added value from tourism is around 15% of GDP (3% in 1960). The contribution of the tourism sector to total economic development over the last twenty years was 12 times greater than the contribution of the industrial sector.

The show caves have been identified as major attractions in many facets of tourism, including winter tourism, scientific tourism, conference tourism, cultural and social tourism. This is because the show caves not only have aesthetic but also important scientific value in terms of history, archaeology, mythology, religion, palaeontology and geology (Dermitzakis and Georgiadou, 1982). This chapter has examined the contribution of tourism to the Greek economy as well as the role of the show caves as a major tourist attraction. The next chapter presents the case results including background of the show caves.

Chapter Six
Case Study of Four Cave Companies

This chapter presents a case study of the accounting control systems of four companies running Greek show caves. The study seeks to provide an understanding of two facets of the companies' accounting control systems: one, the development of budgets and their control or implementation, focusing specifically on the decision-making processes involved, and two, the use of accounting information in the decision-making processes. To this end, multiple sources of evidence were accessed: Firstly, data was gathered through extensive semi-structured interviews with decision makers in each company, i.e., managers at all levels of seniority as well as with board members; secondly, data was gathered via the questionnaires administered to all interviewees during the interviews; and thirdly, documentary evidence was gathered both from within and outside the organizations. The descriptions and discussions following draw on all three sources of data.

This chapter is organized into seven sections. Section 1 presents a brief overview of each of the four organizations, Alpha, Beta, Gamma and Delta Company respectively. Section 2 presents the four case studies in terms of the types and processes of decision making employed by each company in budget development and control or implementation, while Section 3 presents the budgeting process and participation. Section 4 presents use of the budget while Section 5 presents the perception of role of accounting. Sections 6 presents a summary of accounting controls in the case companies. Section 7 presents the conclusions to the chapter.

6.1 Overview of Case Companies

This section provides a brief overview of the four case companies, focusing on external regulations and operation as well as their ownership and organizational structure.

6.1.1 External Regulations and Operations of Case Companies

The results presented in this section are based on evidence from both internal and external documents and from the semi-structured interviews. These documents are drawn from the Greek Municipal Code, memoranda and articles incorporating the companies, and internal board and management reports. According to documents provided by the case companies, the Greek Municipal Code states that municipalities have the legal right to establish their own companies or to participate in companies they establish along with other legal or natural institutions, or in companies that already exist. These companies may be established for different purposes, such as for the implementation of projects that are intended for the benefit of the public, as well as for the economic exploitation of these projects; for the production of goods or the provision of services that are intended to benefit the public; and for the development of activities for profit.

Two or more municipalities are authorized to establish joint municipal companies or to participate in existing municipal companies. The establishment of a purely municipal, or the participation in such a company, occurs after a thorough economic and technical study, with a resolution by the municipal council passed with an absolute majority, which is then published in the Government's Gazette. The resolution then constitutes the company's charter.

The trade name, purpose, life span, headquarters, administration, capital assets, resources and anything else relevant to the closing-down and clearance settlement of the company, as well as any other aspect that is considered necessary according to the municipal council's judgment, will be mentioned in the municipal council's decision to establish such a municipal company. Such a company constitutes a legal institution under Greek company law and is governed by the rules of the private sector, unless it is defined differently by this law. The responsibility of a municipality that establishes or participates in a company is limited to its contribution to the company's capital.

Regarding Q 1 in Appendix 1b concerning the company's background, a senior manager of Alpha Company stated that

> Our company have seven board members, two of whom are members of the municipal council, one is a representative from the local trade union, one a representative from the Prefectural Council and the rest are local citizens.

Drawing on the companies' documented background (except for Gamma Company), a municipal company is managed by a board of directors, consisting of five to eleven members who are nominated (along with deputies) by the municipal council. At least two of these members are elected representatives of the municipality, one member is a representative of the company's employees (provided the company has more than twenty employees), and one member is a representative of the local municipality, e.g., from a local professional association or a trade union. The rest of the board members are residents or members of the municipality who are experienced in or possess knowledge relevant to the objects of the company.

The law also requires that compensation be given to the chairman and vice-chairman of the board of directors for their services in the company, which is set by decision of the municipal council after having been proposed by the board of directors of the company. In the same way, compensation could be paid to members of the board of directors for their participation in its meetings. The board of directors of the municipal companies is formally in command of the company and responsible for managing its affairs. The board of directors must communicate all its decisions forthwith to the municipality to which the company belongs, or which participates in the company.

In response to Q 2 in Appendix 1b about the influence of the municipal code on decision making, a middle Manager of Beta Company stated that

> Many times the budget follows the procedures of the Municipal Code, which decrees that it has to be separate from the budget of the municipality in order for the company to have appropriate autonomy.

According to the companies' documentation, the Municipal Code also stipulates that the management of municipal companies be based on a separate budget of incomes and expenditure, and that this budget should be independent of the management of municipal or other communal affairs. The financial year of municipal companies coincides with the calendar year. According to the decision of the board of directors, which must be approved by the municipal council, the net profit of a municipal company, i.e., profit after depreciation and making provisions for future liabilities, can be used for the improvement or expansion of the premises of the company or offered to the municipality to fund charitable activities.

Furthermore, taking the same decision into consideration, the board of directors of the company, assessing the company' goals, effectiveness and productivity, can keep up to 25% of net profits in a special account for the provision of additional material rewards to employees as a form of motivation.

In response to Q 3 in Appendix 1b about the impact of the Municipal Code on employees, the General Manager of Delta Company stated that

> The stipulations in the Municipal Code have resulted in a profit consciousness among us. Because of this many times our effort has been concentrated on expanding our services in order to increase our profits and consequently to increase our bonuses from the company. This means that we have to put pressure on our subordinates to work harder in terms of effectiveness and efficiencies.

The bases for paying such rewards, as well as the process to be followed, are laid down in article 283, paragraph 2, of the staff regulations in the Municipal Code. These additional rewards do not form regular earnings in the meaning of the relevant labour legislation and only half of such rewards constitute taxable income.

In line with a decision by the municipal council to fund charitable activities, as mentioned above, these may be performed by the company itself, on behalf of the municipality.

6.2 Decision-Making Process of the Case Companies

Alpha Company is owned jointly by the local municipal and prefectural councils, respectively holding 80% and 20% of its shares. Referring to Q 4 in Appendix 1b about the influence of the owners/shareholders in the decision making process, the general manager of Alpha Company stated that

Alpha employs more than forty people, the majority of whom working as tour guides. Alpha Company operates more as a private rather than a public company, despite being jointly owned by local government instrumentalities. It follows the rules of the private sector, and so it depends on its investments in the private sector economy being profitable. For this reason, it does not necessarily follow the policies of the local municipality, its majority shareholder.

Alpha Company is effectively run by a board of directors comprising a member of the municipal council as chairman and the following as ordinary members: the chairman of the local trade union, one civil servant, one civil engineer, one civil servant formerly employed by the municipal council, and one representative of the local farmers. A "board of shareholders" comprising the municipal mayor and a prefectural councillor are placed above the board of directors, which is different from the other companies studied. Changes in the municipal and prefectural councils as a result of local elections usually result in changes to the composition of the board of directors. The organizational structure of Alpha Company is shown in Appendix 3 (Figure 6.3).

Alpha Company's organizational structure could be interpreted as comprising three levels: The board of directors at level one, the general manager at level two, and the directors of the various departments at level three. Of the companies studied, Alpha Company is the only one that has investment consultants in its organizational structure.

Beta is a municipal organization as is Alpha Company, formed by the local municipal council in 2000, owned by it, and operated in accordance with the Municipal and Communal Code. The company is run by a board of directors composed of municipal councillors and representatives of trade unions and professional associations; its chairman is the mayor of the local municipal council.

Having the chairman's position filled by the mayor is the main difference between Alpha, Gamma and Delta companies. The municipal council elections held in October 2002 left the composition of the board of directors unchanged. The organizational structure of Beta Company is shown in Appendix 3 (Figure 6.4). The data on the organizational structure were collected from documents from all for companies.

Beta Company's organizational structure could be interpreted as comprising three levels: The board of directors at level one, the general manager at level two, and the directors of the various departments at level three. Compared with Alpha Company, there are two main differences: Beta Company does not have any investment consultants in its organizational structure and its main shareholder is the municipal council.

Gamma Company is managed by the Anthropology Association of Greece (which is a very major difference compared with Alpha, Beta and Delta companies), a private organization to which the Greek Ministry of Culture has delegated the responsibility for running the show caves in this locality. (The Ministry of Culture ultimately has responsibility for all the show caves in Greece, but as part of its decentralization policy has given local councils (municipalities and prefectures) the responsibility for running the show caves in their areas, and in the case of Gamma Company to the Anthropology Association of Greece. The Ministry has retained the right to inspect all show cave companies.

The chairman of the board of directors of Gamma Company is also chairman of the Anthropology Association, and all the members of the board of directors are also members of the Anthropology Association. There are seven directors, as is the case in the other case companies, with only one of these holding a university degree in accounting. Gamma Company operates according to the rules of the private rather than the public sector, and is not bound by the rules of the public sector's administrative accounting system. Gamma Company was established in 1959, and now has a net worth of €140,000 and an annual turnover of €350,000. The company employs more than twenty casual or temporary employees and thirty permanent ones, the majority working as tour guides. The organizational structure of Gamma Company is shown in Appendix 3 (Figure 6.5).

Gamma Company's organizational structure could be interpreted as comprising three levels: The board of directors at level one, the general manager at level two, and the directors of the various departments at level three, which is the same as in Beta Company. Gamma Company also does not have any investment consultants in its organization, something that only Alpha Company has.

In response to Q 4 in Appendix 1b on the influence of the shareholders/owners in the decision making process in the organizations, the general manager of Delta Company stated that

> Delta is the oldest of the Greek show caves companies, operates according to the rules of the private than to the public sector, although it is owned by the local municipal council, which bears ultimate responsibility for the company's activities.

The chairman of its board of directors and one member of the board are municipal councillors, the same as in Alpha and Beta companies, while the other board members represent various professional associations and trade unions. The company employs more than 40 people, the majority of whom working as tour guides. The organizational structure of Delta Company is shown in Appendix 3 (Figure 6.6).

Delta Company's organizational structure could be interpreted as comprising three levels: The board of directors at level one, the general manager at level two, and the directors of the various departments at level three. Compared with the organizational structure of the previously discussed companies, the only difference is that Delta Company does not have investment consultants as Alpha Company has. Figure 6.1 below summarizes the organizational structure of the case companies.

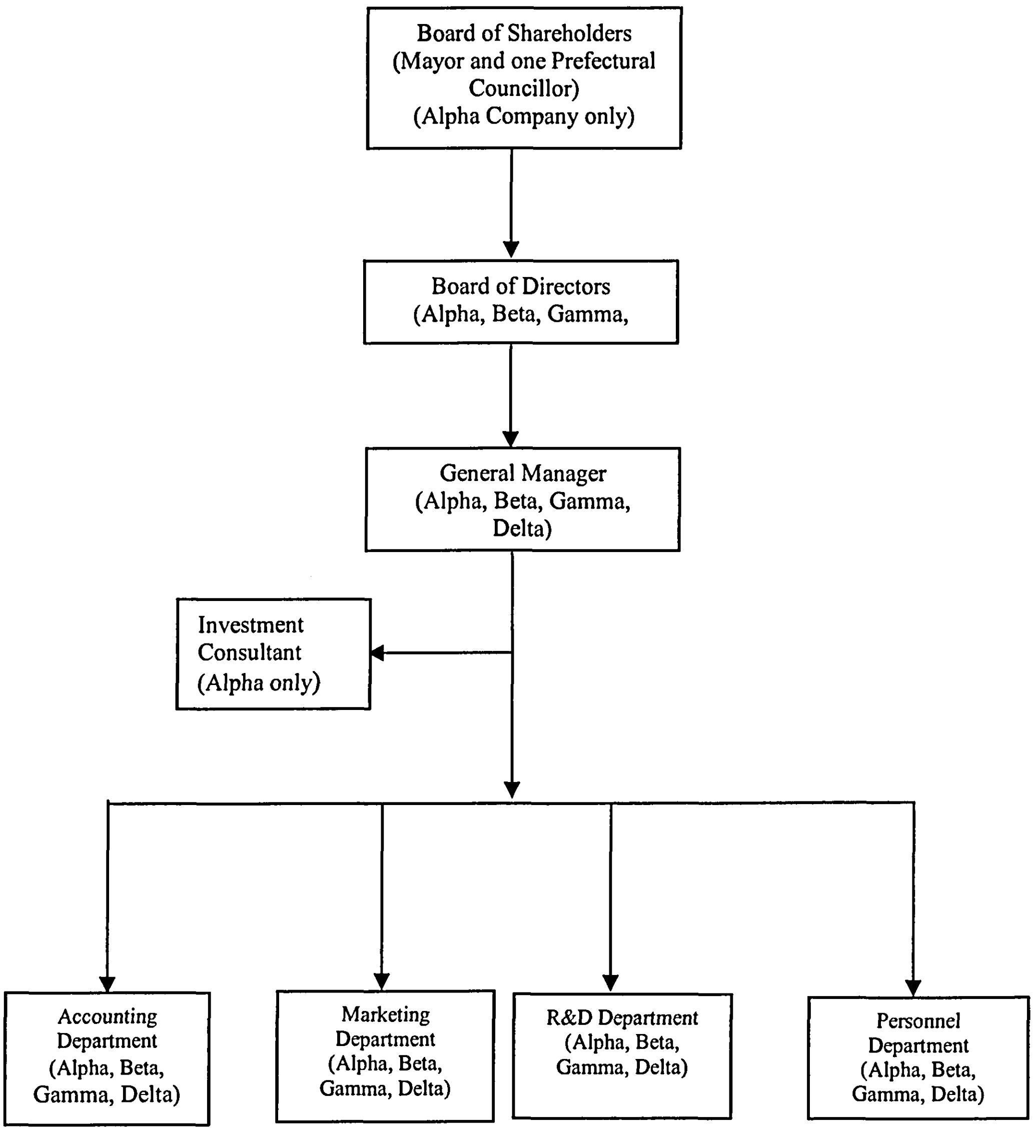

Fig. 6.1 Organizational Structure of Case Companies

6.3 Budgeting Process and Participation

This section begins by summarizing the factual information about the budgeting process obtained from answers to the questions in Appendix 1d. The results are summarized in Table 6.1 in Appendix 2. Concerning Q 1 in Appendix 1d about the degree of the participation in the planning of the budget, the majority of the managers in Alpha (about 83%) participate highly compared to those in Beta (77%), Gamma (70%) and Delta (71%). Concerning Q 2 in Appendix 1d about participation in the review of the budget, a significant proportion of the managers, about 66% in Alpha, 66.6% in Beta, 60% in Gamma and 57% in Delta participate highly. Concerning Q 3 in Appendix 1d, more than 75% of the managers in Alpha ask advice from their supervisors in the planning of the budget compared to 88.8% in Beta, 90% in Gamma and 85.7% in Delta. Concerning Q 4 in Appendix 1d about the degree of influence of the managers on the planning of the budget, only 50% of the managers in Alpha have high influence compared to 55.5% in Beta, 60% in Gamma, and 57.1% in Delta. More than 58.3% of the managers in Alpha have been asked by their superiors about the budget compared to 66.6% in Beta, 60% Gamma and 57% in Delta. In addition 75% of the managers in Alpha review the budget very often compared to 88.8% in Beta, 90% in Gamma and 85% in Delta.

Regarding Q 7 in Appendix 1d about the extent of consultation with subordinates in the planning of the budget, more than 75% of the Alpha managers consult their subordinates compared to 88.8% in Beta, 90% in Gamma and 71.4% in Delta. Moreover, more than 50% of the Alpha managers agree that the information about the performance of the company's operations for the planning of the budget (Q 7 in Appendix 1d) is highly useful, compared to 66.6% in Beta, 50% in Gamma and 57.1% in Delta. In response to Q 9 in Appendix 1d about guidelines, more than 75%

of the managers in Alpha agree that their guidelines highly refer to the budget compared to 55.5% in Beta, 60% in Gamma and 71.4% in Delta. Referring to Q 10 in Appendix 1d concerning the extent to which the superior gives attention to their departments, as high as 91.6% of respondents in Alpha agree that their superiors give high attention compared to 88.8 in Beta, 90% in Gamma and 71.4% in Delta. Concerning Q 10 in Appendix 1d about the extent of investments consultants' involvement in the planning of the budget, all the managers in Alpha answered that they are highly involved compared to only 55.5% in Beta, 50% in Gamma and 42% in Delta. The last question in this part, Q 12 in Appendix 1d, explored the extent to which the finance department helps in the planning of the budget. The responses showed that almost all the managers in all four organizations agree that the help from the finance department is high, with 91.6% in Alpha, 100% in Beta, 100% in Gamma and 100% in Delta.

The research concentrates on the budget as many researchers argue that budgetary control may be designed to plan, control, coordinate and measure performance, as well as to serve as a communication tool (Chow et al., 1988; Drury, 1992; Garrison, 1991; Joye and Blanney, 1990; Lyne, 1988; Moriarity and Allen, 1984). As Appleby (1985) argues, these roles are directly related to the functions of management. The budget plays a major role in management decision making. This role can be divided into six major tasks: a management plan (Garrison, 1991:306), a control device (Garrison, 1991:307), a coordination device (Drury, 1992:441), a communication tool (Horngren et al., 1994:185), a performance evaluation device (Anthony et al., 1992:30) and a motivation tool (Drury, 1992:442).

In their research, Wilson and Chua (1988) came to the conclusion that the process of budget development followed one of two approaches: bottom-up vs. top-down. In the bottom-up approach, the budget development process commences with the lower-level managers and leads up to the top-level managers. By contrast, in the top-down approach the budget is developed by top-level managers and passed down to those at lower levels. Argyris (1952) states that the procedures used in budget development influence both the character and the use of the budget. Budgets can perform different functions in enterprises. They can act as a system of authorization, as a means of forecasting and planning, as a means of planning communication and coordination, as a motivational device and finally as a means of performance evaluation and control (Emmanuel and Otley, 1985:162).

6.3.1 Budget Development of Case Companies – Overview

This section relies on responses to questions in Appendix 1e on the budgeting process and data collected from internal documents, such as budget manuals in each organization. This analysis is intended to provide support for the ratings of the budgeting process provided above. In the development of its budgets, Alpha Company follows the administrative accounting system used by public listed companies in Greece, since this is mandated by the Municipal and Communal Code that governs the administration of all municipalities and prefectures. The budget is essentially formulated by the board of Alpha Company, without input from the municipal council.

The development of the budget is overseen by Alpha Company's general manager in the first place, and by its board of directors, which has to approve it at some point, in the second place. While the final draft recommended to the board of directors for its approval also has to be subsequently approved by the municipal and prefectural councils, the general manager can make changes to the budget even after it has been approved by the councils. The general manager also has responsibility for the implementation of the budget.

Budget development is focused on the administration of the company rather than of the local municipal and prefectural councils that own the company, despite the fact that the budget has to be approved by its two shareholders. The budget is planned according to the emphases of the directors of the various departments, acting under the direction of the general manager. Budget development and implementation offer many departmental directors the opportunity to become engaged in this process, similar to staff experienced in budget planning. The process of budget implementation effectively constitutes the process followed for achieving the aims set by the company, and the departmental directors' involvement is thus crucial.

Beta Company also follows the administrative accounting system used by public listed companies in Greece, since this is mandated by the Municipal and Communal Code that governs the administration of all municipalities and prefectures, which is the same as for Alpha Company. Decision-making in budget development and control is the responsibility of Beta Company's board of directors. However, decision making is effectively shared between the board of directors and the municipal council since the budget draft submitted to the board by the general manager is usually changed by the board of directors, which always takes any recommendations by the municipal council into consideration, in fact, always accepting them. These procedures have been followed since the period when the previous administration was in power during

1998-2002, as the municipal council elections held in October 2002 did not lead to any change in the composition of its board of directors and thus not to any change in its budget procedures either, in contrast with Alpha Company where the municipal elections did lead to changes in the composition of the board. Currently, Beta Company's board and top management are based on loyalty to the municipal council rather than to other bodies, such as professional associations, or to the prefectural council. The implementation of the budget decisions, however, rests with the general manager.

Gamma Company is however not bound by the rules of the public sector's administrative accounting system as it functions as a private company managed by the Anthropology Association; in this respects it differs from Alpha, Beta and Delta companies. As a consequence, its processes of budget development and implementation are quite different from those described in respect of Alpha and Beta companies. Moreover, the private accounting system used by Gamma Company is very flexible compared with those of the other companies. This gives the board of directors the ability to act more efficiently and effectively, helped of course by the fact that Gamma Company is not subject to the will of the local municipal council.

Because the members of the board of directors are members of the Anthropology Association, they communicate with the Association on a regular basis regarding budget measures, and are able to gain its approval for budget proposals. The general manager on the other hand deals with the departmental managers on a regular basis and is therefore able to carry the views of lower level managers to the board, sometimes on an informal basis. Through constant interaction with the finance manager, the general manager is able to demonstrate to the other senior managers that the decision-making process is designed to help achieve the company's policies.

The current administration places more emphasis on the function of the budget and its implementation according to private sector rules than used to be the case, with its main aim now to make a profit.

The board of directors is composed entirely of members of the Anthropology Association, and only one of the seven board members has a background in accounting, so the task of assessing the economic parameters of the budget is quite difficult.

Delta Company's general manager has responsibility for developing the budget, but departmental directors are more involved in budgetary decisions than in previous years. This is mainly due to two factors: the increase in the size of the organization, and the new management's emphasis on the need for all managers to be involved in budget decisions. It emerged during the study that departmental managers tend to accept the will of the general manager without much questioning and the general manager also tends for the most part to agree to the budget presented by the departmental managers.

While there is rarely open disagreement at budget meetings, most managers noted that they do not consider their budgets as approved until after the budget meetings. Actual budget approval mostly depends on the extent to which the general manager is convinced of the merits of the budget and that it is in line with the objectives of the board of directors.

6.3.2 Budget Development of Case Companies – Timeline

In response to the questions in Appendix 1f about the role played by the budget (see Table 6.1 in Appendix 2), the general manager of Alpha Company stated that the process of budget development involves a number of stages: Stage One falls in the period between May and July of each year when the directors of the company's various departments receive guidelines from the general manager for the process of documenting their planned income and expenditure, and prepare and then submit their budget recommendations to the company's director of finance. Stage Two occurs in August when a meeting of the departmental directors takes place with the director of finance to progress the development of the budget. Stage Three takes place in September, when a draft budget is prepared by the director of finance and submitted to the general manager. Stage Four is in October, when the general manager proposes next year's budget to the board of directors in a special meeting that eventually decides on its final development. Stage Five takes place in November when the final draft of the budget is sent to the municipal and prefectural councils for their ultimate approval. Stage Six, the final stage of budget development, occurs in December, when the final budget, as approved by the municipal and prefectural councils, is sent back to the company, together with a special resolution by the councils. In January, the implementation of the budget begins, supervised by the general manager throughout the year.

In response to the same questions in Appendix 1f (see Table 6.1 in Appendix 2), a junior manager of Beta Company stated that Stage One of budget development takes almost a month, usually taking up the whole of May in each year, potentially involving many departments and their managers. Stage Two of budget development, held in July, involves both the general manager and the director of finance, who will jointly consider the results of the inspections of incomes and expenditures by the director of finance, and also those company staff who closely monitor the implementation of the current year's budget over the entire year. Once all issues have been addressed, the general manager recommends the draft budget to the board of directors. In Stage Three, in August, the budget is voted on by the board of directors, which can make any changes it considers necessary. In Stage Four, in September, the budget approved by the board is sent to the municipal council for its final approval. This is a mere formality since no changes are ever made – any changes desired by the municipal council will have been made during the board's approval process by the municipal councillors on the board of directors, including its chairman.

In response to the same questions (see Table 6.1 in Appendix 2), a middle manager of Gamma Company stated that in Stage One of budget development, held in April, incomes and expenditures for the current financial year are reviewed in three- and six-monthly blocks by the general manager in conjunction with the director of finance and his staff to identify possible deviations from the budget's aims. In Stage Two, held in June, the general manager introduces the two three-monthly reports by the company's departments to a committee comprising the chairman of the board of directors, the director of finance and the chief accountant, and at which the image of Gamma Company as well as the achievements of the budget's goals so far are discussed. The general manager then prepares a draft budget for the chairman on the basis of recommendations by the departmental directors and the budget implementation report by the director of finance covering the first eleven months of the financial year. In Stage Three, held in August, the chairman, taking all proposals made by board members as well as by the Anthropology Association into consideration, proposes a budget to the board of directors for its approval. In Stage

Four, in September, the budget proposal is voted on and approved by the board and sent to the Anthropology Association for its final approval in Stage Five, taking place in October. This final step is brief, being essentially a bureaucratic formality.

In response to these same questions (see Table 6.1 in Appendix 2), a senior manager of Delta Company stated that the budget preparations commence in October with Stage One when the general manager makes recommendations for the identification and diagnosis of any possible problems. At the end of October, in Stage Two, a draft budget is made available to the members of the board of directors for an early discussion of the procedures to be followed in budget development. At this point, board members will also make proposals regarding future spending. Final voting on the draft budget takes place in November, in Stage Three. Once the budget is approved by the board, the general manager and the chairman of the board of directors hold an emergency meeting with the directors of all departments, in Stage Four, in order to specify the aims of the new budget and to address any outstanding issues.

6.3.3 Budget Development of Case Companies – Discussion

In response to the questions in Appendix 1f about the role played by the budget (see Table 6.1 in Appendix 2), a middle manager of Alpha Company stated that stage One of the budget planning process, as indicated in the timeline above, begins each May with the general manager issuing guidelines to all the departments for the process of documenting their planned income and expenditure. The guidelines are important for budget development because they set out the goals adopted by the company for its operational planning. A possible failure at the planning stage by the departmental directors could therefore lead to a failure to achieve the company's goals. As one departmental director stressed, "The guidelines and the norms issued definitely help in understanding the administration's goals, and make for a more effective and feasible development of the company".

The draft budgets drawn up by the departmental directors are submitted for processing and approval to the director of finance, who in many cases demands further explanations from the departmental directors. The director of finance coordinates the departmental budgets and reworks them according to the company's objectives. In Stage Two (August), a meeting between the director of finance and all departmental directors aims to achieve the final development of the company's budget, with any objections from or disagreement among departmental directors resolved. The director of finance is responsible for the process and chairs the meeting, which aims not only to clarify any outstanding issues or any issues raised at the meeting, but also receives the departmental directors' presentations of their analysis of the budget, when each director demonstrates the extent to which the budget supports the achievement of the goals set down by Alpha Company. At this meeting, accounting codes may be changed many times. The role of the director of finance in the final formulation of the budget cannot be overstated as he (1) coordinates the budgets of all the departments, eliminating any potential differences among them; (2) supervises the process of budget development, and corrects the budget of every department, in line with the central operational planning guidelines of the company; and (3) recommends the ultimate form of the budget, agreed to in meetings of the directors of the departments, to the general manager; the budget thus recommended will be comprehensive and internally consistent since it will have been reviewed many times.

In Stage Three (September), the director of finance meets with the general manager to propose the draft of the budget approved by the final meeting of the director of finance with the departmental directors to the general manager.

In Stage Four (October) the general manager proposes the final draft of the budget to the board of directors but not before meeting with the chairman of the board to brief him on the proposed budget. In fact, the general manager and the chairman jointly determine the final shape of the budget, with the chairman, who is also a member of the municipal council, often attempting to influence its final formulation, for example, by pressing the municipal council's demand that Alpha Company finance investment on behalf of the municipality instead of in its show caves.

A report is attached to the proposed budget which analyzes every detail of each accounting code, along with an explanation of each item of income and expenditure. Draft budget and report are sent to the board at least three weeks before it meets with the general manager so that all members are fully informed about the budget. The board's discussion can last many hours, and often continues over several meetings. Usually the mayor of the municipal council also participates in board meetings specifically called to finalize the budget, by invitation, and makes recommendations for municipal works. Those members of the board of directors who are also members of local professional organizations will also attempt to influence the final formulation of the budget by putting forward proposals, and most of the time they succeed because the chairman of the board tries to maintain harmony between board members.

In Stage Five (November) the budget proposal is sent to the municipal and prefectural councils for their approval, and in Stage Six (December) the final budget, as approved by the municipal and prefectural councils, is sent back to the company, together with a special resolution by the two councils.

The company has an investment consultant who is in charge of its investment programs and makes recommendations to the general manager. The consultant is also responsible for the European Projects undertaken by Alpha Company.

A junior manager of Alpha company stated that the current system of budget development and control has benefited greatly from changes implemented after the last council election in October 2002. Under the previous municipal administration, during the period 1998-2002, decision making in developing the budget was shared between the general manager, the board of directors and the municipal council. The general manager used to plan the first draft, which was then changed many times by the board of directors, always taking into consideration any recommendations by the municipal council, most of the time accepting them. The changes made to this process by the newly elected council administration led to the budget now essentially being formulated and implemented by the board of Alpha Company without input from the municipal council.

Under the previous system, the process of budget drafts being endlessly revised in turn by general manager, board of directors and councils often resulted in a budget that was inappropriate for the company, with final income and expenditure targets that could not possibly be met by it. Alpha Company's general manager, who has been employed there since the company was established, commented on the tension that existed then between the needs of the company and those of its owners:

> When I graduated from university, I would not have expected that I would be working for a company that uses one budget for two purposes: one has to do

> with the Municipal and Communal Code, and the other with the actual needs of the company.

One of the reasons for giving the general manager total responsibility for the budget process, and thus the final word on the budget, albeit in cooperation with the chairman, was that the council was concerned to reduce the influence of the different professional organizations over budget development, something obviously achieved according to the general manager:

> After the elections in 2002, and the change in chairman, greater emphasis was given to the actual needs and goals of the company, rather than to those of the municipality. This has positively affected the development of the company year by year and has also led to an important improvement in its financial results. Outside influence, by the mayor and by professional associations, of course exists but not to the degree that it used to before 2002.

The changes in the decision making processes in budget development and implementation have significantly changed the role the budget now plays in Alpha Company. The changes have also had a positive effect on the way in which the directors of the company think, by involving them in budget development and implementation. As one director said, "In recent years we have had an active part in the development and implementation of the budget, which has made us feel more responsible for its implementation than before." As the final budget reaches the departmental directors with regulations for its implementation, it reinforces in them its importance and the constraints it imposes on them. In effect, the budget has become a useful tool in the departmental directors' hands. The process of budget implementation effectively constitutes the process followed for achieving the aims set by the company, and the departmental directors' involvement is thus crucial.

The function of the budget as a tool for the control and planning of income and expenditure has also been enhanced by technological developments, with the development and implementation of the budget now being carried out with the assistance of a special computer program that has streamlined the decision-making processes.

In response to the questions in Appendix 1f about the role played by the budget (see Table 6.1 in Appendix 2), a middle manager of Beta Company stated that Stage One of the budget development process takes place during May, as mentioned in the timeline above. If during this process deviations from the aims of the company are identified, meetings will be called involving all the relevant departments and their managers, with the following aims: firstly, to point out the basic reasons for any deviation from the aims; secondly, to recommend solutions addressing the deviation; and thirdly, to set in train recommendations for next year's budget. Recommendations may also be made on the basis of the consideration of any problems that may have become evident during the monitoring of the current budget's implementation.

Although the general manager's recommendations are followed by the board to a great extent, it does take into consideration the wishes of the municipal council as well. In fact, it frequently makes changes, moving items of expenditure and income around as it sees fit. Since the board members are provided with a final budget draft prior to their meeting, the approval process does not take too many days, as a member of the board of directors pointed out:

> The draft that is given to us before the final vote on the budget is taken is the basis for proposing changes and upon which we depend for shaping the final budget. The introductory report of the general manager also helps us in our decision making.

Once the budget has been finalized by the board of directors, outside interventions can be identified that have influenced its final formulation. These interventions, which are usually quite transparent, come about in two ways:

Firstly, as most members of Beta Company's board of directors are at the same time municipal councillors and members of trade unions and professional associations, they will attempt to influence budget proposals in the interests of their organizations. These outside influences may lead to budget proposals by board members that are neither canvassed in the general manager's report nor could be justified by it. The influence of these outside organizations on the final formulation of the budget may be considerable.

Secondly, as the chairman of the board of directors is also the mayor of the local municipal council, he can exert considerable influence over the formulation of the budget in the interest of the council. As a consequence, the chairman of the board and other board members many times have disagreements with one another. The general manager frequently intervenes to help resolve these disagreements and bring about a vote on a final budget plan. The interventions of board members generally are in fact important since they are also expected to represent the interests of the local community, for example, regarding the implementation of some project of significance to the local community by Beta Company, or matters concerning the hiring of staff. The pressure that all board members are under is usually very intense, and instances of such pressure causing disagreements at board meetings are frequent.

As a result, the final budget as approved does not always fully meet the requirements of Beta Company, nor those of the municipal council, the trade unions and professional associations or the community as a whole.

Figure 6.8 in the Appendix 4 summarizes the decision-making processes in budget development, showing the exercise of both direct and indirect influence by the various stakeholders.

Another issue that affects the process of budget development is Beta Company's relationship with Alpha Company. The close cooperation between these two companies has led to an exchange of know-how concerning budget development. Because Alpha Company has achieved enviable results in the financial field, the process of budget development at Beta Company, including making recommendations to the board and voting by the board, frequently closely corresponds to Alpha Company's in an attempt at following the standards set by Alpha Company.

In response to the questions in Appendix 1f about the role played by the budget (see Table 6.1 in Appendix 2), a junior manager of Gamma Company stated that as the chairman of the board of directors is also chairman of the Anthropology Association of Greece, and the members of the board are members of the Anthropology Association, the association, as Gamma Company's owner, effectively decides the final form of the budget. Nevertheless, the general manager's input is very important since he must balance the needs of the company with the recommendations made by the members of the board of directors. However, the final budget is not only influenced by the Anthropology Association, but also by others, such as local citizens, who usually make their pressure felt over the engagement of staff by Gamma Company.

Four middle managers of Gamma Company, referring to Q 6 in Appendix 1d, stated that because Gamma Company is effectively run by the Anthropology Association, this often creates friction with the local municipal council. For example, Gamma Company withdrew its sponsorship of some organizations in the municipality to eliminate a source of conflict with the municipal council over the development of the budget to eliminate any influence by the municipal council over Gamma Company's budget. In the year 2002 this conflict sharpened and as a result the municipal council's influence on budget development was reduced to a minimum. The general manager emphasized that,

> The obvious influence of the municipality's administration on the final formulation of the budget has a negative effect on the achievement of the company's goals since there has been a transfer of financial resources to help the municipality achieve its goals rather than those of Gamma Company.

However, the final shape of the budget is not so much the result of the fact that the members of the board of directors are also members of the Anthropology Association, or of the until recently obvious influence of the municipality's administration, but more of the pressure exerted by Gamma Company's show caves customers via their feedback and comments.

The successful course steered by Gamma Company so far is the result of the most exacting planning of its budget, but also of the flexibility it has instituted for the budget's implementation, which allows it to rapidly respond to the ups and downs of the tourist market. Its absorption of these economic vagaries is due to its rapid and successful adaptation of its budget to the needs of its customers. For example, the variation of planned expenditures for various company departments in response to shifting customer demand has been possible by giving departmental directors the necessary authority to vary the budget items affecting them.

Furthermore, after a series of meetings with the general managers of other companies managing show caves, Gamma Company succeeded in 2003 in having its budget adjusted to the levels desired by it by the Ministry of Culture. The influence over budgets by the Ministry of Culture has often had a negative impact as each show cave company has different needs and sets different goals in order to succeed.

Figure 6.7 in the Appendix 4 summarizes the decision-making processes in budget development, showing the exercise of both direct and indirect influence by the various stakeholders.

In response to questions in Appendix 1f about the role played by the budget (see Table 6.1 in Appendix 2), a senior manager of Delta Company stated that although the general manager has responsibility for the budget development process, as Delta Company is a municipal enterprise there is some influence exercised at the final stage by the municipal council and especially by its mayor. The municipal council is also able to exert influence on budget development throughout the process via the chairman of the board of directors and another member of the board, both of whom are municipal councillors. Other board members represent various professional associations and trade unions, and can be expected to exert some influence in the interest of their constituencies.

According to Delta Company's general manager, the procedures for voting on budgets proposals are closely followed. The role of external factors, such as the influence exercised by the municipal council or the members of the board of directors who represent professional associations and trade unions, is crucial during the votes taken on the development of the budget. This influence, exercised frequently, contrasts with the planning by both the chief accountant and the general manager, whose objections are intense most of the times, in this way succeeding in obtaining support for proposals that further the legitimate aims of Delta Company. Delta Company's chief accountant plays the main role in the final formulation of the budget, and he also proposes alternative solutions whenever problems are identified.

The general manager proposes a draft of the next annual budget at the end of November, with final approval given by the board of directors and the municipal council. He also makes new proposals concerning not only investment programmes, but also staff hires, cost reduction, costing of services and efficiency measurements. Accountants are responsible for bookkeeping and collecting the accounting information necessary for proposals to be put to the general manager. The chief accountant decides whether accounting codes should change or not, but always in cooperation with the general manager. Proposals concerning investment programmes are voted on during November and then included in the next year's budget. However, these programmes can be reconsidered at any time of the year.

Figure 6.2 below summarizes the decision-making processes in budget development of case companies, showing the exercise of both direct and indirect influence by the various stakeholders:

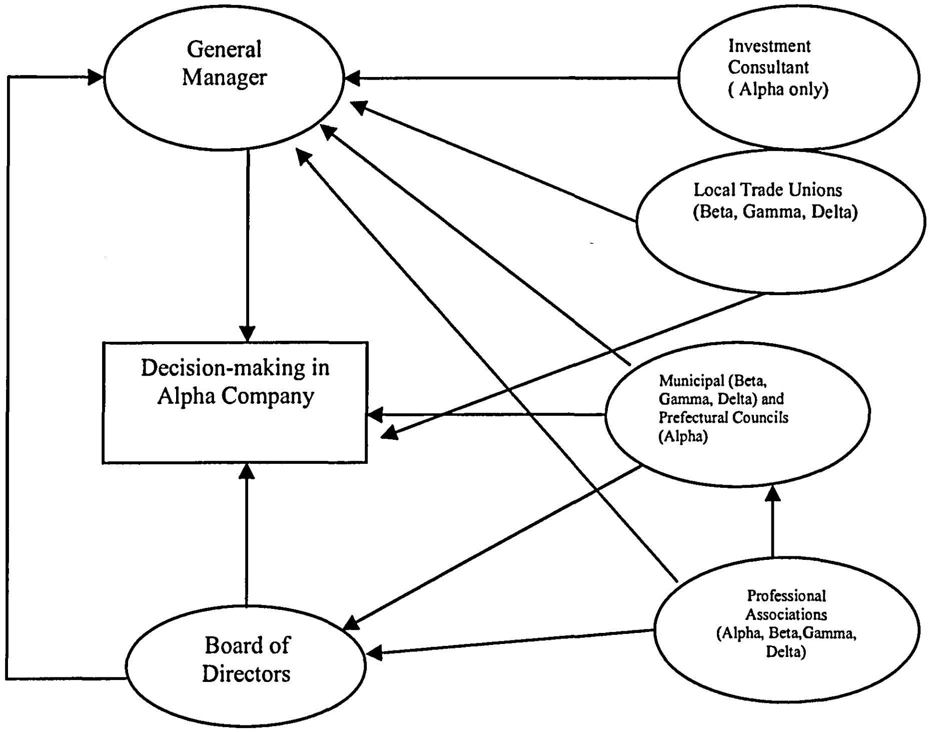

Fig. 6.2 Decision-making Processes of Case Companies

6.3.4 Budget implementation

The general manager of Alpha Company stated that the implementation of the budget begins once it is voted on. The directors of each department start planning how to carry out their duties in the following year, provided that they have already received the necessary clarifications of accounting codes relevant to their department. At this stage, the implementation of the budget encounters many difficulties.

The first problem that a departmental director has to deal with is the fact that there is a lack of cooperation between the directors of the various departments about accounting codes that concern two or more departments. One departmental director complained that, "Many times, cooperation with the directors of other departments involves quite a number of problems because many of them refuse to cooperate on the budget's implementation since they care only for their own department". This points to a lack of coordination between departments, as well as to a lack of mutual assistance by the directors.

In response to the questions in Appendix 1f about the role played by budgets, five out of seven junior managers stated that another problem is that the departmental directors consider that the implementation of the budget is a project whose only aim is to implement the budget precisely, not allowing any deviation; unfortunately, this view turns the budget into a norm to be followed and ignores its potential as a tool of inspection.

One director emphasized that the implementation of the budget cannot be achieved precisely according to the budget figures, due to the fact that unpredictable needs always arise that have to be met. He added that he sometimes has to spend money for purposes that are not included in the budget. However, this is not possible because it is not in accordance with the norms laid down by the board of directors.

The director's statement above highlights existing conflict between the departmental directors and the general manager, since non-compliance by directors with instructions concerning the implementation of the budget carries with it risks for the directors, namely, having the potential for serious consequences to their careers.

In response to the same questions about the role played by budgets, the general manager of Beta Company stated that it had developed and implemented an administrative accounting system which it has now followed for six years without deviating from it. The successful implementation of the company's budget would not be feasible without the strict implementation of its administrative accounting system.

When the board of directors meets to vote on the final draft budget, it also gives instructions to the general manager for its implementation. On the days that follow, the general manager arranges meetings with the directors of the relevant departments to determine the goals and means of the budget's implementation. The most significant problem faced by the company at this point is the lack of coordination between departments in its implementation. This lack of coordination can be avoided only if frequent meetings of the general manager with the directors of the departments are held.

The various departments of Beta Company both implement and monitor the implementation of the budget in order to spot deviations from the budget or problems with its implementation, for example, failing to achieve the aims set down for Beta Company by its board of directors. The monitoring procedures carried out by the staff of the finance department commence at the beginning of every financial year and continue during the whole year.

The procedures for monitoring the implementation of the budget, which allow it to be compared with Beta Company's aims on a monthly basis, are complex since all income and expenditure have to be checked against the set aims of Beta Company and not simply following "procedures" or paying attention to particular commercial aspects of the company's operations that are acute in a given month.

Because Beta Company operates in the tourism industry, whose incomes and expenditures fluctuate seasonally, often from month to month, there are frequently conflicts over the implementation of the budget in respect of expenditures. Therefore, the general manager, who inspects the monthly reports of his staff, tries to interpret any deviations from the budget aims, taking into account the seasonal ups and downs of the tourist environment. A related issue is raised by one manager, when he stated that,

> Many times there is a situation where we have spent more money for special proposes. For instance, we spend money not included in the accounting codes. This means that either we do not pay for it this year or we must pay for it ourselves.

However, 73% of middle managers of Beta Company stated that this problem is not the main cause of conflict between departmental directors and the general manager; instead, it is misunderstandings between them as a result of the general manager many times changing the priorities of each department. As a departmental director said: "Many times during the year, we receive guidelines from the general manager referring to spending priorities. That causes a big problem because many times we spend money on non-priority codes." Again, as in the case of Alpha Company, this points to the risks directors take when ignoring the instructions of the general manager, since that may adversely affect a director's career.

In response to Q 9 in Appendix 1d (see Table 6.1 in Appendix 2) about the extent to which guidelines refer to the budget, one senior manager of Gamma Company stated that once the budget and procedures for its implementation have been approved by the Anthropology Association, the general manager commences to implement the budget in January. This takes place after frequent meetings of the general manager and the director of finance, with the latter subsequently issuing instructions and clarifications to the departmental directors regarding the budget's implementation.

In the implementation of the budget, directors may face many problems. The first problem is that many do not follow exactly the guidelines issued by the general manager, which in turn leads to a lack of coordination between departments. The director of one department stated that, "Cooperation with the directors of other departments sometimes seems to be a utopia because many middle and junior managers do not follow the instructions directly and execute the budget taking into account only their own department's needs". Another stated that, "Many times when the implementation of the budget needs cooperation among the departments, there is instead conflict among their directors because everyone thinks only of their own department's needs and not of other departments". Both these statements point to the lack of coordination between departments, as well as the lack of mutual assistance among managers.

Another source of conflict is the departmental managers' perception that budget implementation is a personal goal of the general manager, who uses it to further his career. As one departmental manager stated, "The guidelines issued by the general manager many times include "personal" goals instead of the company's targets. This makes us more suspicious about the budget guidelines". This statement points to a conflict between the departmental directors and the general manager, as in the case Alpha and Beta companies, since non-compliance with the general manager's instructions for budget implementation potentially carries serious consequences and risks for directors.

However, as the private sector accounting system allows modification of the budget, i.e., the redistribution of the company's resources and thus of income and expenditure items among its departments, the three-monthly inspection carried out by Gamma Company offers its general manager the opportunity to suggest changes to the implementation of the budget to suit the company's needs. This is in contrast with the practices at Alpha, Beta and Delta companies.

In response to Q 6 in Appendix 1b about the budget (see Table 6.1 in Appendix 2), the general manager of Delta Company stated that the budget monitoring process begins in February with an investigation into any shortfalls and omissions observed in the implementation of the budget, based on expenditures and incomes in January. The directors of the various departments are obliged to inform the director of finance of such shortfalls and omissions on a monthly basis, and he in turn informs the chief accountant since the director of finance has already collated various observations about the current budget's implementation. The chief accountant stresses that,

> At the end of each month an inspection takes place to identify any shortfalls or omissions in the budget, and no matter how great or trivial these are, all the measures essential to correct these will have to be taken.

The general manager has delegated responsibility to the chief accountant for the budget's implementation as well as for the coordination of any actions necessary to address any problems, such as a transfer of credits when an inspection shows that expenditures have exceeded incomes, or to transfer funds to relevant bank accounts to cover any unforeseen expenditure. The chief accountant may intervene to offer solutions to minor departures from the budget, while the board of directors will offer solutions to major ones. Any problems discovered are taken into account at meetings of the board of directors, where resolutions concerning transfers of funds to different budget codes are voted on.

However, there are problems urgently needing a resolution, such as the lack of coordination and collaboration between departmental directors. One director of a department stated that,

> Budget implementation is a difficult process because a lot of the guidelines come from the general manager without him knowing the real situation in the department. That causes problems because the top-down procedures mandated are not appropriate and the general manager sometimes acts without knowing the needs of a department.

As in the case of the other three companies, Delta Company experiences conflict between departmental directors and the general manager over budget implementation, with the same attendant risks to their careers in case of non-compliance with the general manager's instructions.

The role of the budget in Delta Company does not seem to be as important as in the other show cave companies because significant outside influences, such as those brought to bear by the municipal council and by customers on a daily basis, seem to affect the decisions of the administration to a greater extent. As the chief accountant stated,

> Many times the municipal council's influence as well as the demands of customers, through suggestions and remarks made daily, affect the budget's implementation and the company's operation, often quite significantly.

Perhaps as a result of this, some departmental directors see the budget more as a bureaucratic procedure rather than a tool for the development and achievement of the company's aims.

6.4 Use of the Budget of Case Companies

Hopwood (1972) stressed that directors use accounting information in different ways, while Hofstede (1968) claimed that many managers do not use budget reports. The four case companies do use budget reports, and these are of three distinct kinds: variance reports, review reports and performance reports. This section is organized in terms of these three types of budget report, each subsection discussing their use in respect of each case company.

6.4.1 Budget Variance Reports of Case Companies

The procedure according to which the members of the boards of the show cave companies use accounting information varies, and their use of information is divided into many stages. Commonly, the directors review and compare the budget variance reports against those for the previous year.

Alpha Company reports on the implementation of its annual budget in twelve monthly budget variance reports, which ensures that the implementation of the budget is checked every month so that possible deviations can be corrected. The monthly inspections are of expenditure as well as income. The reporting system ensures that each item of expenditure, both at the level of the company and of each department, is thoroughly inspected. For example, many times accounts surface that have not been paid even though they have been recorded. As such accounts are not reported to the finance department until they have been paid, and each payment made by a department is taken into consideration in relation to the overall expenditure of the company, this is obviously an important failure. The monthly budget variance reports are compared with the final result for the previous year.

There are of course departmental directors who do not agree with the instructions for compiling budget variance reports. Many times these instructions are sent two or three months before the reports are due, which makes the process of compiling them even more difficult because the various departments do not always cooperate with each other. Compiling the budget variance reports is likely to meet a variety of obstacles and consequently they do not correspond to the reports about non-economic aspects of the departments.

Prior to 2002, the monthly budget variance reports did not provide the directors with the information necessary for them to contribute to the process of decision making. However, when in 2002 the new administration put increased emphasis on accounting information in combination with a more developed system of budget control, the finance department was able to examine the budget variance reports more quickly. For this reason, the increase in interest in the inspection process has also enhanced the role of the budget. While the directors in general continue to have doubts about the monthly reporting process, some directors pay more attention now than they used to in previous years.

In its attempt to ensure better control of the budget's implementation, Beta Company provides two-monthly budget variance reports to the departmental directors, who are as much concerned with total incomes and expenditures as the general manager. The handling of the two-monthly budget variance reports by the directors falls into two stages:

The first stage applies to the budget variance reports provided to the director of finance, and concerns the expenditures and incomes for each and every department separately, which are checked weekly by their directors.

The second stage concerns the inspection by the general manager once all reports by the directors of each department have been gathered as well as the recommendations by the director of finance. The inspection by the general manager is indispensable, because the company's efficiency is checked in this way and solutions are suggested when there are deviations from the aims set by the board of directors.

Deviations in budget implementation have been observed in many cases, which is more commonly due to a lack of communication between the general manager and departmental directors than to the latter's non-compliance with the former's orders.

The general manager of Gamma Company has delegated the responsibility for budget implementation to the chief accountant, who is also the director of finance. Besides being responsible for budget implementation, the chief accountant also gathers the monthly budget variance reports of the departments, elaborates on them and then sends them on to the general manager for updating. The general manager only has the role of supervisor in this process and many times has forwarded the chief accountant's recommendations without any changes to the chairman of the board of directors. If any deviations or problems are identified in the budget's implementation, responsibility is given to the directors of departments to correct them.

The general manager only checks whether the actions of the chief accountant and the directors of departments are in accord with the aims of the company as set out at the beginning of the year and whether they are consistent with the methods the company uses, for example, as pertaining to saving resources and increasing income. These procedures take time to put into practice and so a lack of necessary coordination often leads to inadequate suggestions being made by the departmental directors to the chief accountant. This is usually due to the fact that the budget variance reports are not taken into account, as they are considered to be in the nature of "bureaucratic" devices rather than essential to the company's development.

The chairman of the board of directors of Delta Company attempts at the regular board meetings to correct any problems in the budget by drawing on the monthly budget variance reports from both the directors of departments and the general manager. These reports are not fully taken into consideration because of the frequent exercise of external influence in decision making, and so their importance in decision making is not fully appreciated. This view is shared by both the chairman of the board and the general manager who, although he may differ with the chairman when external pressure is exerted on the company, often still submits to such pressure.

As a consequence, the directors of the various departments are of the view that the monthly budget variance reports are compiled only for statistical reasons and are not essential to the operation of the company, and they therefore do not pay much attention to them. This in turn leads to the frequently observed phenomenon of incorrect or inappropriate recommendations being made by the directors.

Currently, the general manager's contribution largely lies in correcting the reports of departmental directors and recommending them to the chairman of the board for his final approval.

When the new administration after the election held in 2002 put increased emphasis on accounting information in combination with a more developed system of budget control, the finance department had greater opportunities to examine the budget variance reports more quickly, as was also the case with Alpha, Beta and Gamma companies. For this reason, the increased interest in the inspection process has also enhanced the role of the budget in the general review of the company's performance.

While the departmental directors in general continue to have doubts about the process of compiling monthly budget variance reports, some pay more attention now than in previous years. To some extent this is the result of the new administration giving bonuses to the departmental directors as encouragement to have them meet the monthly deadlines.

6.4.2 Budget Review Report of Case Companies

Budget review reports are crucial tools in decision making concerning corrective acts to be taken by departmental directors to achieve their companies' aims. Usually these reports are provided to individual departments with recommendations of actions to be taken immediately, stating the reasons for those based on the department's performance so far.

In response to the questions about cost management in Appendix 1g, a middle manager of Alpha Company stated that a budget review with on-going supervision is carried out in the middle of the year, with the general manager and the director of finance in charge of supervision. The supervision covers all kinds of budgets: income and expenditure budget, investment budget and purchasing budget for standard equipment. The finance department collates the budgets for the last six months from each department.

The budget review results in a minor report, the budget review report, which reports on the performance of each department and its director. This six-monthly review of the budget has three basic aims: The first aim is to allow the general manager to identify deviations from the budget in its implementation. The second aim is to provide the directors of the departments with a report that concerns the entire company (while the monthly reports concern each department). (Before the report is sent to the departmental directors, it should be discussed with and also confirmed by the general manager.) The third aim is to allow the board of directors, which is responsible for all important resolutions concerning the company, to ensure that all expenditure actually made is consistent with the goals set for the budget period.

In summary, the budget review, firstly, helps the general manager to re-examine the company's policies. In addition, it assists the company's administration to compare the present period with the previous one. Secondly, the budget review assists the administration with the inspection and co-ordination of company activities. Thirdly, the budget review report serves the purpose of confirming or disconfirming the company's policies as set out in the budget for the board of directors. This situation arises as a result of the budget review reports being thoroughly inspected by the departmental directors first and only then sent on to the board of directors, together with the general manager's recommendations to the board of directors. It seems that many supervisors believe that it is their obligation to recommend the budget review reports.

Four out of seven junior managers agreed that they benefit from the budget review reports, as far as they concern company policy. Another three junior managers argued that they benefit from the budget review reports in respect of the evolution of the budget; however, such evolution only takes place when changes to company policy are made necessary by outside influences or developments. For example, a change in policy would be needed if an increase in Value Added Tax (VAT) were being considered. Two middle managers believed that the budget review reports are simply issued as a matter of standard procedure and therefore they pay little attention to them, while others consider them to exist more for the purpose of assessing their performance rather than the performance of their departments.

In response to the questions in Appendix 1g about cost management, a middle manager of Beta Company argued that the process followed by Beta Company for inspecting the budget's implementation differs from that of Alpha Company insofar as its general manager supervises the process rather than its director of finance. The general manager, by means of frequent memoranda, draws the attention of both the director of finance and the other departmental directors to the implementation of the company's aims as set down by the board of directors. The budget review procedure is intended to make a positive contribution to the budget's implementation, both at monthly and six-monthly intervals, as it allows a review of the company's budgetary goals against actual performance.

The review of particular departments conducted by the general manager, which is part of the process of comparing the company's aims against their implementation via the budget, includes the implementation of his recommendations to the directors of the various departments. The meetings between the general manager and the departmental directors aim at the accurate implementation both of the company's goals and of the general manager's instructions concerning the budget's implementation.

Four middle managers of Beta Company believed that interdepartmental communication assists the general manager in foreseeing possible problems in the budget's implementation and to propose immediate solutions. If the problem is very serious, the general manager will escalate it to the board of directors, with a request for its input to finding a solution. Many times the general manager will arrange meetings with the departmental directors to work out a solution. This procedure is often considered a bureaucratic one by the directors because their recommendations are not taken into account in many cases, thus creating an atmosphere of discontentment. If the general manager becomes aware of this, he is likely to change his point of view to make his directors realize the importance of their budget review reports to the well-being of the company. The board of directors is of the view that the budget review reports assist the company in increasing its performance, and for this reason they will compare them with the reports for previous years.

In response to the same questions about cost management in Appendix 1g, a senior manager of Gamma Company stated that the budget review reports are compiled under the guidance of the director of finance, who offers solutions whenever needed. In case the reports from the departmental directors require measures to be taken that he is not authorized to take, he will escalate the issue to the general manager. If the general manager cannot find an appropriate solution, he will escalate the issue to the board of directors.

Gamma Company tries as much as possible to review the correct implementation of the budget and propose solutions for any problems identified. Three middle managers stated that the type of problem commonly escalated with the aim of seeking the input from a superior in finding a solution commonly concerns deviations in budget implementation in respect of both incomes and expenditures, usually due to external interventions to safeguard investments. Such problems in the budget's implementation arise despite the board of directors' resolutions authorizing these expenditures – the departmental directors encounter problems in their attempts to find the necessary funds for the implementation of investments budgeted for.

Three junior managers stated that meetings to provide feedback on budget implementation take place every week, and the overall review of the budget's implementation twice a year. In this way, the director of finance tries to satisfy the requests of the departmental directors and the board of directors, all of whom at times will propose changes to the budget to accommodate external influences.

The general manager's recommendations do not always follow the budget review procedures, especially when there is significant divergence from the company's aims in the budget's implementation, and the budget review reports both by the directors of departments and the director of finance are negative as regards the budget's implementation. However, this is unavoidable if solutions are to be found that aim to smooth over disagreements among the directors.

Still in response to the questions about cost management in Appendix 1g, a middle manager of Delta Company stated that the budget review reports are compiled by the departmental directors and have the chairman of the board of directors as their final recipient. The chairman, in collaboration with the general manager, will try to have any problems dealt with by the board of directors if they are important; however, if they are not, the chairman and general manager will try to find a solution between themselves.

At the end of the first six-monthly review period, changes to the budget are decided upon at a meeting by the departmental directors to address any deviations from the budget in its implementation identified in the budget review reports on the basis of discussions between the general manager and the chairman of the board. In that meeting, the collaboration of all departments is needed to achieve the goals set in the previous year.

The chairman of the board and the general manager consider the budget review reports compiled by the departmental directors and attempt to offer solutions in those cases where a director may not have fully addressed all questions asked in the budget review reports or where guidelines have seemingly not been completely understood. In response to Q 3 in Appendix 1g whether cost management acted as a control tool, a senior manager of Delta Company stated that in many cases a lack of communication between the directors and the chairman of the board of directors may be observed, because many times the chairman will recommend some expenditure which had not been included in the budget but which is desired largely due to external influences having been brought to bear on him by various associations or the municipal council.

Such one-way communication leads to a lack of coordinated action, and often the desired implementation of additional expenditures is simply not possible due to a lack of financial resources. Therefore the impression that the budget, and by extension the budget review reports, do not meet all the necessary requirements and the aims set for the budget, is misleading. This opinion is shared by the departmental directors, who emphasized the fact that the compilation of the review reports is indisputably a bureaucratic procedure since the review reports do not correspond to the company's operation as the deviations in the implementation of the budget owing to external interventions are far too many.

6.4.3 Budget Performance Reports of Case Companies

Budget performance reports are important for the creation of strategic aims and objectives for the following year as they provide the board of directors with a comparison of the company's current performance with those in previous years. Such a comparison is also available to the directors of departments as well as the general manager since the directives for the budget's implementation are the same each year. If the budget performance reports show that those directives have not been followed exactly, measures may be taken with serious consequences for the careers of the directors of departments.

In response to Q 5 in Appendix 1e about how performance is measured, a middle manager of Alpha Company stated that each department submits an annual budget performance report to the general manager, and the general manager in turn produces a budget performance report of his own, reporting on the performance of the company, for the board of directors. All budget performance reports are produced at the end of the year. These reports make it possible for the board of directors to review the company's performance. Many times, however, the departments fail to provide a budget performance report to the general manager, in which case the general manager compiles performance reports based on his assessment of a given department's alone.

There is always extensive debate of the reports among the members of the board at its annual meeting at the end of the year. This meeting is of utmost importance since it is here that the departmental directors and the general manager, along with the board of directors, thoroughly discuss the performance of each department and also the performance of the company as a whole. This discussion assists in more careful planning of the next budget by highlighting performance problems in the previous year. The specific budget performance reports do not affect the directors of the departments for two basic reasons:

Budget performance does not impact on the assessment of the directors because budget implementation is not the principal criterion by which their performance is judged. Consequently, it is not a criterion for promotion or the award of bonuses. The only point at which the performance of the directors of the departments is mentioned comes when the general manager has to draw up a confidential report about each departmental director, when he also has to assess them for their general performance. The general manager stated that budget performance in each department does not influence its total assessment, although since the change in administration in 2002, the new board of directors has paid more attention to the role of accounting information in internal administration. All departmental directors attend seminars that seek to educate them about accounting information emanating from budgets and targeted at decision making.

Three middle managers of the Alpha company stated that the new administration has paid more attention to the efficiency of budget implementation by the director of each department, and has also given the general manager the authority to review the performance of the directors and consequently the performance of each department.

In the last few years, certainly since the new administration took over, some directors have recognized that they were paying great attention to budget efficiency for two main reasons: Firstly, the new administration's emphasis on budget performance has led it to pay special attention to its own performance as well. Therefore, the budget performance reports of the general manager now include reports on the budget efficiency of each department. Secondly, the new administration has put much more emphasis on matters that concern criteria applying in the private sector than the previous administration did. Thus, the performance of each department now plays an important role in the promotion of its director, in contrast to the former administration that did not associate budget productivity and performance with the overall performance of the director of each department. As a consequence, the directors pay more attention than before to budget matters because this affects their chances of being promoted, and also of increasing their income since budget performance is now associated with the reward of bonuses. A senior manager of a department said:

> By the time there had been a change in the company's administration, important changes in our mentality had also occurred since we had realized that budget performance is also an assessment of our own performance, owing to the fact that it is now associated with our promotion and bonus reward. This fact made us more cautious than before and also gave us the opportunity to perform even better, since the change in the company's goals offered this perspective.

In response to Q 9 in Appendix 1e about the preparation of performance reports, a middle manager of Beta Company stated that towards the end of the year, the company conducts a board of directors meeting with the participation of not only the general manager but also all its departmental directors. At this meeting, after long hours of debate and thorough examination of the budget performance reports by both the departmental directors and the general manager, the performance and achievement of the company's targets set in the previous year are discussed.

The budget performance reports produced at the end of each year and their discussion by senior staff and members of the board are intended to produce useful outcomes regarding the role of accounting information in decision making. The frequent meetings of the directors of departments with the general manager aim to produce an exchange of information that will help the executives achieve the budget goals.

The whole process of meetings covers two stages. The first stage consists of the meetings held by the general manager with the director of some given department, while the second stage consists of the meetings held by the general manager with the directors of all departments, with the participation of the chairman of the board. The results of these meetings are discussed at the meeting with the board of directors, where the performance of both the departments and their directors is assessed.

If departments have achieved the goals that they were set, the board of directors may grant a bonus to the directors of those departments. However, in many cases the annual meeting for the assessment of the company's performance leads to the evaluation of the general manager rather than to the assessment of the directors of departments.

In Beta Company (as in Alpha Company) budget performance reports play a key role in the annual review conducted at the end of the year. Each department submits a review of its own annual budget, i.e., its budget performance report, to the general manager and he in turn submits it to the board of directors, after which it is submitted to the municipal council. The review allows an overall assessment of the implementation of the budget to be made, and it gives the board of directors, the general manager and the directors of the various departments an opportunity to review the course of the company over the year.

In response to Q 7 in Appendix 1e about the preparation of performance reports, a middle manager of Gamma Company stated that budget performance reports are produced by both the departmental directors and the general manager, and (as in Alpha and Beta companies) they are ultimately submitted to the board of directors.

The process followed in Gamma Company is for these reports to be collected by the director of finance, who passes them on to the general manager, who in turn will process them together with the chairman of the board of directors, and ultimately recommend them to the board of directors for their approval. In all other respects, the process followed with regards to the budgets performance reports is the same as for Alpha and Beta companies.

Responding to the same Q 7 in Appendix 1e, a middle manager of Delta Company stated that at the end of the year the directors of departments send the budget performance reports for their departments to the general manager and the director of finance. These reports are accompanied by the departmental directors' recommendations, as well as their reasons for any actions already taken by them. As one senior manager said, "During the last month of the year much work is done collating all the reports and making recommendations, following a quite laborious procedure". Their reasoning is taken very seriously, and taken into consideration as much by the general manager as by the board of directors.

The budget performance reports allow each department to be evaluated not only for its performance, but also for its contribution to the performance of the company during the entire year.

In all other respects, the process followed with regards to the budget performance reports is the same as for Alpha, Beta and Gamma companies.

6.5 Perceptions of the Role of Accounting Information of Case Companies

Management accounting systems provide information to those responsible for managing businesses and other economic organizations to help them in making decisions about the future of the organization and in controlling the implementation of the decisions they make (Horngren and Sundem, 1990).

Simons (1990) argues that there are two general categories of decision variables: (i) differences between decision environments, and (ii) differences between decision making. Accounting information is implicated in both types of decision variables.

Empirical evidence has shown that managers use accounting information in diverse ways (Hopwood, 1972). Hofstede (1968) found that to a greater extent managers do not use budget variance reports and many other researchers (Enthoven, 1973, 1977; Hoque and Hopper, 1994; Jones and Sefiane, 1992) found that accounting information is minimally used in operational decision making.

6.5.1 Board Members and Mayors

Interviews were conducted with the board members of the four show cave companies, as well as those mayors who play a role in them, to investigate how they perceive the role of accounting information in decision making in their organizations. The responses to the questions in Appendix 1a about personal background showed that most mayors hold a university degree though only a few hold a degree in accounting. Many of the mayors and chairmen of boards of directors were elected in 2002 and the majority have no experience in running an enterprise such as a show cave company. The average age of the mayors and chairmen of the boards of directors is 46 and 43 years respectively, and all of them are male.

In response to Q1i (see Appendix 1h), twenty out of twenty-eight board members admitted that they only take into account the profits of their respective show cave company, rather than also considering its competition or costs. All participate in high-level decision-making processes, but only eight use accounting information when making decisions. All check the budget once a year and all consult company staff in planning the budget. In response to the questions in Appendix 1f about the role played by the budget, three of the mayors did not take into account any performance indicators from a company's budget because they believe that the budget is more a bureaucratic tool than a tool for motivating employees or measuring performance. They also believe that the main benefit of budgeting is to monitor costs rather than profits. In response to the questions in Appendix 1i about the influence of the institutional environment, two of the mayors and three of the chairmen of the boards stated that they frequently take into account the wishes of the municipal council in budget planning. All mayors stated that they prepare a report every year to present to their respective municipal council. In contrast, the chairmen of the boards prepared, on average, a report every month.

The results for the questions in Appendix 1i concerning the factors that are important in decision making showed that there were slight differences of opinion between the mayors and the chairmen of the boards of directors. While the mayors emphasize profitability as the main criterion for pricing decisions, the chairmen emphasize profits and competition. However, both groups agree that external parties, such as professional associations, municipal councils or voters, influence their decision. Both mayors and chairmen of boards agreed that their decision making is influenced more by external parties than by internal accounting information.

6.5.2 Senior Managers

Interviews were conducted with the senior managers of the eight show cave companies to investigate how they perceive the role of accounting information in decision making in their organizations. The results for the questions in Appendix 1a concerning the personal background of interviewees showed that six of the senior managers hold a university degree and two hold a degree from a polytechnic. Five hold economics and accounting professional qualifications, and one a geology degree. Eight of the senior managers are accountants, with an average of two per company. All the companies provide their senior managers training in accounting and budgeting. The average length of service of the senior managers within their respective organization is five years, their average age is 39 years, and all are male.

All the senior managers demonstrated a high degree of participation in the preparation of the budget. On average the budget's implementation is checked once every three months. The majority of senior managers do not plan their budgets in great depth because their superiors, i.e., the general managers, influence that aspect of their work. The results for Q 7 in Appendix 1d concerning the extent to which subordinates are consulted in the planning of the budget show that they also take into account the opinion of subordinates in budget planning, and all emphasize the importance of performance indicators in their companies' budgets. The majority of senior managers use the budget and thus accounting information as a tool for planning, cost control, motivating employees or measuring performance.

Four of the senior managers (see Table 6.1 in Appendix 2) interviewed perceive the main benefits of budgeting, and thus the role of accounting information, to be the monitoring of both costs and performance, while the majority stated that the main role is the monitoring of costs only. Furthermore, as the majority of the senior managers interviewed measured their organizations' performances on average twice a year, taking into account total profits and costs, they considered the role of such accounting information on decision making. All the senior managers prepare reports about the total number of visitors, profits and cost, considering the role of such information in order to increase the efficiency of their business.

In addition, the majority of the senior managers interviewed (see Table 6.1 in Appendix 2) take into account cost management in measuring personal efficiency, or in measuring the efficiency of operations, and at the same time use cost management as a control tool or to assist them in the costing of services. Based on the responses to Q 1i in Appendix 1h, the majority of the senior managers interviewed take into account their company's competition in making pricing decisions as well as in planning new services. Only two take into account the profits made by their company. However, all the senior managers interviewed used profit indicators in making investment decisions and hiring new staff.

The results for Q 1.v in Appendix 1h concerning other sources of information used in decision making revealed that all the senior managers use other sources of information in making decisions, such as the municipal council, professional associations or their competition. This is clearly in response to their recognition that external pressure exerted by forces such as the local mayor or their board is very important, as is pressure from the community at large, the pressure of competition or indeed that exerted by Greek culture, forcing them to act in "Greek" ways.

6.6 Summary of Accounting Control Systems in Case Companies

The development of the budget, the monitoring of its implementation and its review are generally assigned to each show cave company's general manager, who proposes the budget and issues directives for its implementation to the board of directors for its approval and subsequently executes its decisions. The four case companies follow the same procedures for submitting the various types of budget report compiled by the departmental directors to their respective general managers. As these reports relate to the company's performance, they are significant for the creation of strategic aims for the following year. In most cases the directives for the implementation of the budgets are not followed exactly, although there are meant to be.

There are problems as the lack of cooperation between the departmental directors, conflict between the departmental directors and the general managers where the departmental directors ignore the instructions from them because they believe that the budget help to the general managers to achieve their personal goals, or they see the budget as more as a bureaucratic procedure and achievements of the company's aims.

The way in which accounting information is used in decision making changed when municipal elections led to new administrations taking over. These applied more developed systems of budget control, paid special attention to company performance, and put more emphasis on criteria applying in the private sector. Moreover, the budget performance reports now play a key role in the annual review and allow each department in the companies to be evaluated not only for its performance but also for its contribution to the performance of the company during the year.

6.6.1 Decision-making Processes in Budget Development and Control at Case Companies

The task of initial budget planning is assigned to the general manager, who is responsible not only for the process of its development, but eventually also for monitoring its implementation. The general manager puts all proposals concerning investments, costs, invoicing and new activities to the board of directors, which usually adopts them. Alpha Company's general manager observed that the company's operations are affected by both internal and external factors. Management is not independent in its decision-making processes regarding budget development and control since its shareholders, i.e., the municipal and prefectural councils, directly influence its decisions via their representatives on the board of directors and indirectly via their power to change the board of directors. Municipal elections very often create uncertainty for Alpha Company as changes in the municipal and prefectural councils usually result in changes to the composition of the board of directors. And since there is a legislative requirement that the board of directors be reappointed by the municipality every November, the influence of the municipality is self-evident. As one senior manager observed that, "Any change in members on the board of directors of the organization that follows a change in the municipality's administration leads to a change of influence in decision making at all levels". The results for Q 6 in Appendix 1i about the influence of the institutional environment showed that other board members, specifically representatives of professional associations, are also likely to exert influence over the company's decision-making processes in the interests of their associations. There is also pressure from the banks for Alpha Company to perform better, and from the board of directors to increase its total profits. Moreover, there is pressure to emulate the successes of other organizations. Alpha Company's investment policies are also responsive to social pressures exerted in other ways, with significant direct influence exerted by public institutions. Since it is located in a small country town, the town's population is able to exert some influence directly on the members of the company's board.

All decision making is effectively in the hands of the board of directors, acting on proposals by the general manager, in accordance with the Municipal and Community Code that governs the operations of Beta Company. The Code also mandates the composition of the board of directors, comprising two municipal councillors, three representatives of trade unions and two representatives of professional associations.

The results for the questions in Appendix 1i concerning the influence of the institutional environment show that outside influence on Beta Company's management may also be exerted by municipal councillors who have no formal involvement with Beta Company since there is also always the possibility of them making suggestions for changes to the budget during the year. In addition, the decision-making process in Beta Company is also potentially influenced by truly external parties, such as one of the community groups active in the small town in which Beta Company is located. The importance of influence wielded by external parties, be they municipal council, trade unions, professional associations or community groups, cannot be overestimated.

The law enshrines the decision-making power of the board of directors, rather than that of the general manager, who is limited to making recommendations concerning the budget to the board and ultimately to executing its decisions, yet as one interviewee noted, "Most of the board members do not have any formal education in economics, and neither does the mayor. This makes their task of assessing the economic parameters of the budget quite difficult."

The board of directors conveys its budget proposals to the general manager, who monitors the monthly implementation of the budget and recommends the final form of next year's budget in November of each year to the board of directors for its ultimate approval. Investment decisions are also made by the board in November, and these are included in relevant programmes in the next annual budget. However, under the Municipal and Communal Code, these programmes can be reconsidered at any time of the budget year. Every month the general manager considers proposals to vary the budget. Furthermore, the general manager regularly puts proposals to the board of directors concerning pricing of new services, investment programmes, hiring of staff and cost reduction programmes.

Gamma Company's decision-making processes are subject to both internal and external influences. The company is owned by the Anthropology Association of Greece and run by it via its nominees on the company's board of directors, all of whom, including its chairman, are members of the Anthropology Association. Given its emphasis on private sector economic criteria, Gamma Company is less inclined to acknowledge any social responsibilities to the local community. The results for the questions in Appendix 1i concerning the influence of the institutional environment show that external influences on decision making are exercised by local bodies, especially the municipal council, but also by trade unions and professional associations.

Gamma Company's decision-making processes reflect the fact that under the law the Anthropology Association has the final say on all proposals put forward by the board of directors. Moreover, since the chairman of the board is an anthropologist himself and a member of the Anthropology Association, he is likely to act in the interests of the Anthropology Association, as are the other board members. Gamma Company can thus at best be considered semi-autonomous.

The general manager plays a significant role in the decision-making processes concerning the budget and its implementation, but it is effectively one of implementing the decisions of the board. For example, the board forwards budget proposals to the general manager, who via his monitoring of the implementation of the budget is able to recommends a final draft of the new budget at the end of each year. The general manager's monitoring of the budget's implementation also makes it possible for him to propose changes to the budget each quarter, including new investments, and other measures, for example, to achieve a reduction of costs and changes to the pricing of services. Investment decisions may also be made by the chairman of the board.

Decision making in Delta Company is effectively in the hands of the board of directors, which votes on all proposals put to it by the general manager. The board consists of two municipal councillors, one of whom acts as its chairman, two representatives of local trade unions and three representatives of professional associations. The chairman of the board of directors is also a member of the local municipal council, and thus can be expected to represent the municipality on the board. As a result, Delta Company can only be considered semi-autonomous. In addition to the municipal council, the company's decision-making process is also influenced by outside forces, such as the local trade unions, professional associations and other community groups that are active in the small town where the company has its offices.

The majority of directors do not hold any economic, managerial or accountancy degrees, so their task of assessing the economic parameters of the budget is quite difficult. Nevertheless, the law supports the decision-making power of the board of directors. Responsibility for implementing the budget and making recommendations for any changes throughout the year is assigned to the general manager, as it is in the three other show cave companies.

The results for Qa in Appendix 1i show that the change in the membership of the board of directors of Delta Company following the change in the municipality's administration has influenced decision making at all levels of the company. To cite just one outcome of this, the function of the budget and its implementation according to the Municipal and Communal Code is now emphasized to a much greater extent, with the company's main aim now being to make a profit.

6.6.2 Role of Accounting Information in Decision-making Processes of Case Companies

The responses to Q 13 in Appendix 1c about the role of accounting information in decision making show that since 2002 Alpha Company has tried to emphasize this role in its decision making. Thus, significant attention is now focused on monitoring the budget and scrutinizing the company's income and expenditure. For example, the change in management in 2002 has led to a change in the way Alpha Company's services are priced, with cost having become the main basis of pricing decisions, and decisions to offer new services are now made based on accounting information rather than the services' future usefulness. In theory, because the show caves are national monuments, any new services they introduce should be authorized by the Ministry of Culture.

Another example of the use of accounting information is found in Alpha Company's response a continual decline in revenue. This decline put it under pressure to reduce the cost of its services. For example, between 2000 and 2005 income decreased by approximately 35%, and the cost reduction measures implemented to off-set this loss of income have started to pay off as profit increased by 15% in 2005.

The responses to Q 13 in Appendix 1c about the role of accounting information in decision making show that counter examples, where accounting information was clearly not the basis for decision making, may be cited as well. For example, the mayor's influence on Alpha Company's decisions led to management investing in various projects in the municipality, leading one manager to note that, "We had wanted to invest this profit mainly in the company to boost our operation, but we were forced to invest it in other areas of the municipality". Capital investment budgets are usually exceeded by the end of the financial year as external influences frequently determine capital investment decisions, at times rendering capital budgets irrelevant.

Alpha Company's monthly expenditure reports provided by the general manager to the board of directors are focused more on current expenditures and incomes rather than capital expenditure. The budget is frequently influenced by directors, who are inclined to initiate more expenditure. The general manager stated that,

> We monitor the monthly reports every month. That is obligatory because we have to make decisions about performance and cost control. We change our decisions frequently to take account of the municipal council's desires. This influences the final outcome of the budget at the end of the year.

Similarly, while the accounting officer may make budget proposals regarding cost and tax control, taking into account total expenditure and total pre-tax profits, he also pointed out that, "There is sometimes a dilemma with the use of accounting information in the formulation of the budget. Many times I have introduced a plan for using the budget more effectively in terms of cost and tax control." Instead, the budget is often used as a bureaucratic tool because the company's budget has to be approved by the municipal council.

The results for Q 2 in Appendix 1f show that more often the budget is used as a planning tool for making new investments or reducing costs. Furthermore, the budget is used as a tool for motivating employees, and for measuring performance in terms of total expenditure and profit. Finally, the budget is used to help Alpha Company make decisions that take into account the environment in which it operates. Cost management in Alpha Company benefits from the role played by information available to it about its costs, which is used to measure the company's efficiency by comparing past and present costs as well as a control tool, or to assist in setting prices.

Accounting information plays a very significant role in the decision-making processes of Beta Company, and may be summarized as follows: Accounting information concerning the cost of providing and promoting services is considered in the company's decision-making processes since its main aim is to make a profit. Further, its competitors' prices are used as the basis for setting its own prices in order to be competitive with the other caves in the area. Annual turnover of the company has increased in the last few years by 5%, with a simultaneous reduction in costs compared with the previous administration, thus demonstrating its use of accounting information.

On the other hand, decisions to introduce new products are taken on the basis of whether these are already offered by any of its competitors, i.e., not on the basis of accounting information. However, the company needs a licence from the Ministry of Culture to develop new products. Employment policies also do not currently take into account available accounting information. For example, in some cases the hiring of new staff simply follows changes in the administration of the company.

The role of accounting information has greatly increased in line with the greater emphasis on the development and implementation of the budget. Examples of this are numerous, beginning with accounting information about cost playing a major role in decision making regarding both the provision and the promotion of services. As a consequence, prices for the company's services are also now set on the basis of actual costs. In fact, Gamma Company has tried to provide services on the basis of cost-benefit analyzes conducted. However, the actual decision to introduce new products is typically based on whether the new products are already offered by competitors, and is subject to the company gaining the appropriate licence from the Ministry of Culture to do so.

While it is now company policy to take accounting information into account, even to the extent that the administration frequently tries to assign staff to subsidized programmes to reduce cost, annual turnover has decreased in recent years by up to 10%, with no corresponding reduction in costs, showing that the use of accounting information has not been entirely successful.

The role of accounting information in budget matters has greatly increased over time in Delta Company, just as it has in the other show cave companies studied. For example, the cost of providing and promoting services is now considered in the company's decision-making processes. On the other hand, using competitors' prices as the basis for setting the company's prices, in order to be competitive with the other caves in the area, is an example of not using accounting information. Decisions to introduce new products are taken on the basis of whether these are already offered by any of its competitors, again, not necessarily making use of accounting information.

Another example of the use of accounting information is found in the employment policies followed. However, at time new hires simply follow changes in the administration of the company, just as they often do in Alpha and Beta companies. On many occasions, the administration attempts to assign staff to subsidized programmes to reduce cost, which is, in its own way, perhaps also a way of using accounting information. A more positive outcome of the use of accounting information is found in the company's ability to reduce its cost in recent years despite a small increase of 3% in its annual turnover.

6.7 Chapter Summary

This chapter has described the organization of the four show cave companies and presented the results of the study of their accounting control systems. This focused on two areas: First, the decision-making processes in budget development and control (i.e., budget implementation), and second, the role of accounting information in such decision making.

The discussion showed that the decision making process in budget development and control in the four companies are carried out by their general managers and their boards of directors. General managers observed that their respective companies' operations are affected by both internal and external factors, such as municipal and prefectural councils, social pressures, local culture, trade unions and professional associations. Moreover, any change in the administrations of their respective municipal councils leads to a change of influence in decision making at all levels because it leads to a change in the membership of their boards of directors.

The discussion in this chapter also showed that the role of accounting information in the decision-making processes in budget development and control in the four companies is that the budget is used as a tool for a variety of purposes: (1) motivating employees and measuring performance; (2) promoting the company's services; (3) controlling the company's costs; (4) hiring new staff; and (5) assisting in setting prices. (Mayors, on the other hand, believe that the budget is more of a bureaucratic tool for motivating employees.) General managers believe in the use of a variety of sources of information in decision making, such as professional associations, competitors, trade unions and the local community.

Chapter Seven
Institutional Isomorphism:
A Discussion of Results of Case Companies

The purpose of this chapter is to discuss the findings of the case studies presented in Chapter Six. The chapter is divided into two sections: Section 1 examines the issue of institutional isomorphism and the role of accounting information in the show cave companies; and Section 2 presents a summary of this chapter.

7.1 Institutional Isomorphism and Role of Accounting Information in Case Companies

The analysis of Alpha, Beta, Gamma and Delta companies revealed some very interesting aspects of institutional isomorphism in the management of the show cave companies. This discussion draws on the discussion of institutional isomorphism in Section 3.3.4.

7.1.1 Coercive Isomorphism

Theory predicts, as discussed in Section 3.3.4.1 above, that coercive isomorphism is found only when there are political influence and problems of legality. Coercive isomorphism concerns the ways in which organizations may be subject to external pressure from organizations upon which they are dependent or as a form of more general cultural expectations (Meyer and Scott, 1983). In such cases of formal or informal pressures on organizations, organizational change may be a direct response or obligation to a government demands.

In Alpha Company we find coercive isomorphism, which stems as much from official as from unofficial pressures by outside organizations that in turn are dependent on yet other organizations active in the community (Mizuchi and Fein, 1999). In particular, the influences on decision making and budget development identified in Alpha Company include pressure to follow the municipal regime, to make investments in the interests of the municipality, and generally to act in support of the public accounting system. These indications of outside influence correspond to those identified by DiMaggio and Powell (1983). The findings show that Alpha Company recommends that some investments be made in the municipality, although stating that it is not obliged to make them. These findings bear out the findings of Greenings and Gray (1994) and Meyer and Scott (1983).

A middle manager stated that many times the mayor tried to impose the municipal council's will on the show cave investment programs. This caused the company financial problems and lead to a drop in investment programs.

The implications of political influence being exercised by municipal councillors in the show cave company correspond to those identified by Carpenter and Feroz (2001) and Pfeffer (1981) as well with the findings of Papadakis and Barwise (2002).

Similar to Alpha Company, Beta Company also experiences coercive isomorphism, due to both official and unofficial pressures being exerted by other municipal organizations, which in turn are dependent on community organizations. The pressures exerted on Beta Company by the municipality have the potential to influence the final form of its budget through its processes of budget development and decision making, its investment decisions, employment policy and cost management.

The research findings are consistent with the findings by Covaleski and Dirsmith (1988), Mizuchi and Fein (1999) and Rao and Nielsen (1992), which show that pressure from public interest groups clearly appears to act as a coercive institutional force impelling firms to initiate or elaborate structural responses to issues.

Three junior managers of Beta Company stressed that the municipal council takes decisions concerning funds from the show cave company without taking into account the will of the company's board of directors. This causes problems for the implementation of the budget and finally leads to financial stress being experienced by the company. These findings appears to be consistent with the findings of Nayak and Greenfield (1994) and Perren et al. (1994).

The anthropologists running Gamma Company are often compelled to bow to political and legislative pressures. Furthermore, companies established for the exploitation of the caves are often under pressure from the municipal authority concerning decisions regarding hiring and investments. Prior studies (Greening and Gray, 1994) has also confirmed what the findings showed. The municipality's participation concerns the company's board of directors, who need the help of the municipality to acquire areas of land for development activities free of charge what is similar to the findings of Meyer and Scott in 1983. The interaction between the municipal authority and the board of directors often leads to interventions in budget development by the municipal authority, especially concerning budget codes to do with hiring and investments. These findings appears to be similar to the findings of McMahon, (1991), Hussain et al. (1998), and Lybaert (1998).

These indications of outside influence correspond to those identified by Mizuchi and Fein (1999) and Carpenter and Feroz (2001), whose findings shows that the political survival of government officials depends on their ability to negotiate exchanges with their environments. A senior manager of Gamma Company stated that the municipal council cannot directly intervene in its decisions but will nevertheless always try to intervene in the hiring of new staff or to get the company to make investments of benefit to the municipality.

Delta Company, similarly to Alpha, Beta and Gamma companies, experiences coercive isomorphism, stemming from both official and unofficial pressures by other organizations that in turn are dependent on other organizations active in the society. The mayor of the local municipal council, which owns Delta Company, influences budgeting and decision making. There is also pressure exerted for municipal practices to be followed regarding budget development, investment decisions, public accounting system and employment policy.

These indications of outside influence correspond to those identified by Carpenter and Feroz (2001), Greenings and Gray (1994) and Meyer and Rowan (1983), which show that government regulations can coerce organizations into adopting new procedures.

Two middle managers of Delta Company stressed that the municipal council tries influencing the company's board of directors when making investment decisions and hiring new staff. This has lead many times to a drop in the company' investment program. These findings appears to be similar to those findings of Templeton and Wootton (1987), Cohen et al. (1972) and Pfeffer (1981).

Although the first chairman of Alpha Company was a municipal councillor, his profession as a high school teacher did not acquaint him with the functioning of such a company. Because he was a civil servant (as a teacher), he attempted to apply the administrative accounting system more strictly, and to set up a more bureaucratic structure, both of which were intended to minimize the difficulties he was facing as showed prior studies of Pfeffer and Salancik in 1978. He also employed an outside accountant experienced in the writing of financial reports to ensure that the legal requirements of the public sector accounting system were met as showed prior studies of Meyer et al., in 1981. The chairman essentially sought to cover himself since he was unsure of his ability to manage Alpha Company due to his inexperience, made worse by the fact that the company had been newly established as mentioned by DiMaggio and Powell, in 1983.

The first chairman of the board of directors of Beta Company was the local mayor. As in Alpha Company, his professional experience did not qualify him especially to be a board chairman. As a civil servant, he attempted to apply the public accounting system very strictly and to apply a more bureaucratic structure in order to minimize the difficulties he was facing as mentioned in their study by Pfeffer and Salancik, in 1978. Further, he tried to ensure that the law governing the use of the private sector accounting system was strictly observed by employing an outside accountant experienced in producing company reports as showed by Meyer et al., in 1981. Due to his inexperience in the management of a company, the chairman was even uncertain as to whether to apply the public or the private accounting system as showed by DiMaggio and Powell, in 1983, which is similar to the situation in Alpha Company.

The chairman of Gamma Company's board of directors stated that "because we do not own much land, we may have to put in requests to the municipal council when considering investment decisions". He added that Gamma Company assists the municipality by offering some sponsorship to other municipal organizations. Other kinds of political pressure are the result of a philosophy which encourages the residents of the municipality to become "engaged" in Gamma Company's activities to strengthen the local economy. This is an issue in this case because Gamma Company is active at the boundaries of its municipality. Moreover, the local community frequently affects the company's decisions concerning cost management, since there is pressure for more investments in order to increase employment opportunities.

The general manager of Gamma Company stated that, on many occasions, funds are recorded in the budget which would not be done under normal circumstances. The particular registrations are made to improve the municipality's public profile. The municipality's influence on Gamma Company has many causes, the main one being that the municipality wishes Gamma Company to be transformed into a municipal company, with the aim of giving the municipality absolute control over the management of the company. Gamma Company is also heavily influenced by the Greek Ministry of Culture. The chairman of the board stated that sometimes directives are issued by the Ministry, or even specifically by its minister, that lead to Gamma Company having to change some of its decisions concerning investments and the hiring of staff. Sometimes such a changing of decisions is to address legitimate problems, resulting in changes in management or staff regulations. Since political influence on decision making at Gamma Company is unavoidable, the board must be particularly tolerant of external pressures.

Research has confirmed that only a few of the former chairmen of Delta Company's board of directors were familiar with the operation of a show cave company, and even fewer were familiar with economic management. Although the first chairman of the company was not the mayor, his profession and experience did not equip him with the know-how to run the Delta Company. This is similar to the experiences of the chairmen of Alpha and Beta companies. However, contrary to Alpha and Beta companies, the first chairman was not a civil servant and so he did not attempt to impose the public sector's administrative accounting system on the management of Delta Company. He did, however, employ an external accountant experienced in the composition of financial reports to ensure that the legal requirements of the private sector accounting system were met (Meyer et al., 1981). One reason for his concern was that these requirements were being met by Alpha, Beta and Gamma companies, and quite generally the competition from other companies.

7.1.2 Mimetic Isomorphism

When organizations are not sure what to do, they very often look to a reference group, to kindred organizations, and emulate what they do in the same situation. Imitation is nowadays far more widespread in the decision making of companies than before the election in 2002. One example is the way in which prices are set for a company's services. It is known that at periods of uncertainty, or at periods when the achievement of goals is doubtful, companies imitate one another (March and Olsen, 1976).

Alpha Company imitated other companies when setting prices for its services, rather than taking into account its costs. A junior manager of Alpha Company stated that when the company started, no one had the requisite knowledge to set prices for its services and for this reason asked managers from other show cave companies what they charged. This was because the company was facing organizational problems and had failed to set clear goals, as was confirmed by its general manager, who stated that he attempted to set the prices of services by relying upon models created by other companies (Kimberly, 1980).

A company may issue staff and management regulations that have been copied from other, similar companies as long as they are based on the prevailing law. It was crucial for Alpha Company to follow other show cave companies, because it had been established in 1998 and thus been in existence for merely eight years at the time of this study. Especially in the early stages of its operation, Alpha Company relied heavily on imitating the organizational details of other show cave companies, such as a company's investment program, budget development, management regulations, company reports and regulations of services. Indeed, such imitation was made necessary by the inexperience of Alpha Company's board of directors, which wanted to minimize the possibility of failure. A middle manager of Alpha Company stated that many times it was obvious that no one from the board of directors could understand the economic issues facing the company. For this reason, the best way was to imitate other companies in order to succeed. The uncertainties felt by the board led to the employment of a general manager with commercial experience, who was given a number of responsibilities and tasks, including to hire a team of accountants to ensure that the company acted in a commercially responsible manner.

The researcher analyzed the composition of the board of directors from the early stages of Alpha Company's operation and found that the majority of board members had neither the experience nor the knowledge required for the successful creation and development of the company. The first chairman of Alpha Company, for example, was a municipal councillor at the time of his appointment, but by occupation he was a high school teacher.

The information received in budget reports was evaluated by the general manager, who put recommendations based on them to the board of directors, which then made the required decisions. However, the inexperience of the General Manger in running a show cave company led him to copy other show cave companies' investment decisions. These findings are consistent with those by Cyert and March (1963) and March and Olsen (1976); those authors argue that uncertainty is also a powerful force that encourages imitation. A contributory factor were the relationships with external associations and even individuals, such as university geology professors, who attempted to influence investment decisions. As a result, many decisions simply imitated companies that had been active in the exploitation of show caves for many years.

The above findings are also consistent with those by Palmer (1999), Greenwood and Hinings (1996) and Lomis (1995), which show that organizations adopt forms that are considered legitimate by other organizations in their field regardless of whether these will actually improve efficiency.

A senior manager of Alpha Company stated that many times geologists tried to influence investment decisions by bringing to the company's attention the investment programs of other show cave companies in order to have them followed. This caused problems because none of those investments programs applied to Alpha Company.

Moreover, budget development was significantly affected by outside influences, such as the municipal council. When the chairman of the board changed and the mayor became chairman, the municipal council's influence on the company's budget became intense.

Three middle managers of Alpha Company argued that when the mayor became chairman of the board, many procedures were changed as now all investment programs had to take into account the will of the municipal council.

Another example of imitation is the intense monitoring of costs via cost management systems, which had been an enormous success in other show cave companies (Haunschild, 1993; Haveman, 1993; Lomis, 1995; Palmer, 1993; Schoonhoven, 1990). The appointment of the mayor as chairman contributed to an increased flexibility in company processes, for example, in the application of the various rules that govern the development and inspection of the budget, because the mayor did not resign himself to uncertainty about the future. In practice, this was another example of Alpha Company copying the practices of other show cave companies, with the mayors / chairmen of the show cave companies all copying each other. A final example of imitation is that the prices for Alpha Company's services were still set by imitating those charged by other show cave companies, and any increases were only made after increases in the fees charged by other show caves companies.

Two junior managers argued that when the new tourist season begins in October each year they call the other show cave companies to find out the prices they charge for their services. And if they have made a change to their ticket prices, then Alpha Company follows suit.

Increasing net profit was the main goal of the mayor's administration, rather than increasing turnover, in order to fund investments in the municipality and municipal enterprises. The mayor also had exclusive power of decision making concerning investments and budget recommendations.

Four junior managers of Alpha Company argued that most of their efforts were now concentrated on increasing net profits, without taking into account any increase in turnover. That approach might create problems, they said, especially if other companies had been able to reduce their expenses more than Alpha Company.

Because Beta Company is the newest of the show cave companies, having only been established in 1999, its inclination when setting prices for its services was to imitate other companies rather than taking into account its real costs, which is similar to the practices followed by Alpha Company. This happened because the company was facing organizational problems and had failed to set clear goals. This was confirmed by the general manager, who stated that he had attempted to set the prices of services by relying upon models of other companies (Kimberly, 1980). A company charter and staff and management regulations were introduced, based on those of similar companies, in fact, the mayor of the local municipal council, which owns Beta Company, copied all organizational charts from Alpha Company.

A junior manager stressed that "because none of us has the experience of running a show cave and especially how to set the prices for our services, the best way was to imitate the prices charged by Alpha Company in order to be succeed as Alpha did".

It was to be expected that Beta Company would imitate other show cave companies as it had only been established seven years by the time of this study. Especially in its early stages of operation, Beta relied heavily on imitating other show cave companies' structure, their budget development processes, management regulations, company reports and regulations of services. Indeed, such imitation was probably made necessary by the inexperience of Beta Company's board of directors, which wanted to minimize the possibility of failure, as had Alpha Company. The uncertainties felt by the board of directors led to the employment of a general manager, who was given a number of responsibilities including cooperation with experienced accountants and the gathering of better accounting information. The researcher analyzed the composition of its board of directors from the early stages of its operation. Similar to Alpha Company, the majority of board members had neither the experience nor the knowledge required for the successful creation and development of the company.

These examples of imitation identified by Haveman (1993), Haunschild (1993) and Schoonhoven (1990) show that many organizations will imitate large and profitable organizations when their own goals are ambiguous or when the environment creates symbolic uncertainty.

The first chairman of Beta Company was the local mayor, although by profession he was a teacher of mathematics at a secondary school. The mayor reached the point where he was copying the regulations, charters and schedules of other companies, especially Alpha Company, in an attempt to alleviate his uncertainty about the future of Beta Company. This uncertainty also led to the engagement of a general manager with some knowledge of economics, and who held a degree from a polytechnic University in accounting. The information received in economic reports was evaluated by the general manager, who then made recommendations to the board of directors, which made the final decisions. However, because the general manager was inexperienced in company management, he imitated some investment decisions made by Alpha Company.

Four middle managers argued that "many times the general manager gives us instructions to follow the investment decision of Alpha Company in order to be successful in our own investments".

The need for imitation was exacerbated by the fact that outside forces, such as the Ministry of Culture, were exerting great influence upon its decisions concerning investment in exploration. In fact, budget development was very much affected by external factors, such as pressure from the municipal council and the Ministry of Culture. However, the development of the budget was in the main the duty of the general manager, as in Alpha Company. Cost management, which had been an enormous success in other show cave companies and especially in Alpha Company, was also imitated by Beta Company. The appointment of the mayor as the chairman of the board contributed to the flexibility of some of the practices that were implemented.

This flexibility was also contributed to by the mayor copying some practices, which had also been done by the mayors / chairmen of other show cave companies. The assessment of the company's performance was aimed at increasing net profit in order to fund investments in the municipality and in municipal enterprises, rather than to increase turnover as was done by Alpha company. Increasing net profit was thus the main goal of the mayor's administration. The mayor also had the exclusive right to make decisions concerning investments and to make budget recommendations. The prices of services were still set by imitating other show cave companies, and they were only increased if other show cave companies increased their entrance fees, for example, the same as in Alpha Company.

Three junior managers stressed that "many times the mayor tried to make investment decisions of benefit to the municipality rather than make the investment needed by the show cave. That has lead to disinvestment in a long run and a likely decrease in future profits of our company."

Gamma Company is one of the oldest of the show cave companies, and therefore has great experience in administrative and accounting management. Despite this, Gamma Company has attempted to reduce the uncertainty of the future by copying management and decision-making systems from other companies, largely because the chairman of the board does not appreciate the economic information made available to him as he is not an economist.

A middle manager argued that “many times we put a lot of effort into convincing the chairman of economic phenomena and the need for investment in our company but without lack of success”.

This fact became even very apparent when the first congress of companies managing caves was held. At this congress, the chairman of Gamma Company sought to gain other companies’ regulations concerning management and staff, with the intention of copying them for a more effective operation of Gamma Company. The chairman stated that the need to evolve his company could be met as much by finding external solutions as by copying what others did. Thus, some years ago, having noticed the success of other, even newer companies, Gamma Company tried to copy those companies’ marketing practices.

These indications of imitation correspond to those identified by Mia (1994), Lomis (1995) and Kimberly (1980), which show that mimetic isomorphism deals with uncertainty in an organization’s operating environment. Moreover, the research findings are also consistent with Cyert and March (1963), who show that the advantages of mimetic behaviour in the economy of human action are considerable, especially when an organization faces a problem with ambiguous causes or unclear solutions.

Naturally, many duties were given to the general manager of the company, especially the planning of investments and the development of the budget. Therefore, the general manager, who participated in the congress of the show cave companies, attempted to acquire as much information as possible about the way the other companies planned their budgets, the way they analyzed their performance, and how they set their prices and planned new services.

As far as the setting of prices for services is concerned, Gamma Company adjusted its prices based on a kind of average charged by the other show cave companies but it took especial note of the prices set by Alpha Company, which was increasing the price of its services in order to fund a marketing and promotional project. As a result Gamma Company raised its entrance fees. Of course, there is no correlation between cost management and services, but cost management functions as a tool for monitoring the actual cost of services.

A junior manager of Gamma company stated that "when we find that there was an increase admission prices at other show caves, we always follow them in order to be able to meet our budgeted spending for marketing purpose".

Imitation was also followed in decision making in the planning of new services. Gamma Company previously held the view that new services were not needed to expand its activities. However, after seeing what other companies were doing, Gamma Company was motivated to imitate them in the planning of new services.

Three middle managers stress that in previous years "we concentrated on how to increase the turnover of the company without taking into account the plant for new services. Now we concentrate more on planning new services, just as the other companies do, in order to have a long run of success."

The first chairman of Delta Company was a city councillor, although his occupation was that of hotelier. As with the first chairman of Alpha Company, the chairman attempted to fulfil his duties to the company by copying regulations, charter and schedule from other companies. The reason for this imitation was again the uncertainty about the company's future success. Once again, it led to the engagement of a general manager with the same duties as general managers in Alpha, Beta and Gamma companies.

These indications of imitation correspond to those identified by March and Olsen (1976), who show that when organizational technologies are poorly understood, or when goals are ambiguous or the environment creates symbolic uncertainty, organizations may model themselves on other organizations.

A senior manager argued that "when we find that other show caves have obtained greater returns from their investment programs, then we take the decision to follow them in order to succeed too.

The information contained in economic reports was evaluated by the general manager, who then put recommendations to the board of directors for final decisions. As with Alpha, Beta and Gamma companies, the general manager's inexperience in management led him to copy investment decisions made by other show cave companies. Factors contributing to this practice were the same as in show cave companies that have been active in the exploitation of caves for many years. Budget development, though the responsibility of the general manager, was significantly affected by pressure being brought to bear by both inside and outside bodies, such as the municipal council and professional associations.

Following the elections in 2002, the mayor and the board of directors of Alpha Company were replaced by another mayor and another board of directors, and this led to a change in Alpha Company's strategy. Because the new chairman of the board was a civil servant in his professional life, a more flexible system of decision making was adopted, in line with the decision making processes followed by the municipal council. The change in mayor and board of directors also resulted in changes being made to Alpha Company's charter and to regulations copied from other companies that were using public accounting and management systems. The changes to the administration of Alpha Company also led to changes in its decision making processes concerning the prices to be charged for its services, and the planning of new services, hiring of staff and making of investments, all of which were assigned to a greater extent to the general manager, although influence by other show cave companies, at all levels, persisted.

As mentioned above, it is known that during periods of uncertainty, or during periods when goals are unclear, companies often imitate one another (March and Olsen, 1976). Imitation is nowadays very widespread in relation to the organization of companies and their decision-making processes. Indeed, the show cave companies often imitate other companies in setting their prices. This occurred in Beta and Alpha companies, the newer of the companies studied, whose first action in setting prices for their services was to imitate other companies, rather than taking into account their actual costs. Price imitation also took place in Delta Company, despite it being the oldest organization, because the company was facing organizational problems and had failed to make its goals clear (Kimberly, 1980). This was confirmed by the general manager, who stated that he attempted to set prices for his company's services by relying upon the models created by other companies.

Any company's charter, staff and management regulations, and so on can be copied by other companies as long as they observe legal requirements. It also helps if there are precedents for this, such as having already been copied by other, similar companies, especially by other show cave companies. The researcher found that although Delta Company is the oldest of the show cave companies, its regulations and reports are still copied from the other show cave companies. Consequently, especially in recent years, Delta Company has relied on copying other companies, especially Alpha Company, concerning organizational matters, e.g., company schedule, accounting, service pricing, management regulations, company reports and regulation of its services. Imitation was necessitated by the inexperience of the new board of directors and their desire to minimize the possibility of company failure. The uncertainties faced by the board led to the employment of an economist as general manager, who was given a number of duties, including consulting with experienced accountants and making better use of accounting information.

It is generally accepted in the company that the inexperience of the members of a new board of directors will quite frequently lead to authority being conceded and duties shifted to others, to the point where uncertainty is reduced and the competition better understood. An analysis of the composition of the board of directors from the early stages of Delta Company's operation reveals that, as far the creation and the development of the company is concerned, the majority of the board members had neither the requisite experience nor the appropriate knowledge to run the company, with the same being true for the other show cave companies.

The municipal elections in 2002 did not lead to a change in mayor or the board of directors of Alpha Company. Consequently, the company was able to maintain its strategy, contrary to what happened at Alpha Company. Because the chairman was a civil servant in private life, a system of decision making was adopted that was consonant with that of the municipal council. The fact that there was no change in mayor and board of directors was reflected in a lack of changes made to the company's charter and regulations, which had been copied from other companies using the public accounting system. The only difference from the first administration was that decisions concerning the setting of prices for its services, the planning of new services, hiring and investments were assigned to a greater extent to the general manager, although these were also influenced by the practices of the other show cave companies.

When elections were held in 2002, the chairman of the board was replaced by the mayor. Delta Company was heavily affected by the Greek Government's budget, being forced to copy many of the actions already being taken by other show cave companies, such as increasing funds for the municipality and intense monitoring of its management costs. The appointment of the mayor as chairman of the board of directors contributed to increasing the flexibility of some of its practices.

Two middle managers argued that "the mayor always forces us to imitate the investment decisions of other companies in order to raise the net profit of the company. The result was not to finance the company's needs but to increase the funds for the municipality."

The assessment of the company's performance was aimed at increasing its net profit in order to fund investments in the municipality generally and in municipal enterprises, rather than at increasing turnover as was done by Alpha and Beta companies. Increasing net profit was thus the main goal of the mayor's administration. The mayor also had sole power of decision making concerning investments and budget recommendations. The prices for its services were still set by imitating other companies, and increases were only made if other show cave companies had increased their entrance fee, as was done by Alpha, Beta and Gamma companies. These results appears to be similar with the findings of Mia and Patiar (2001) and Gordon and Narayanan (1984).

The municipal elections in 2002 did not result in a change of mayor or of the board of directors of the company, and therefore it did not lead to a change in the company's strategy. Because the main occupation of the chairman was to be an entrepreneur, a more flexible system of decision making should have been adopted, convergent with the decision making processes of the municipal council.

That this change did not take place was also evident in the absence of any changes to the charter and regulations copied from other companies that were using the public accounting system. The only difference from the first administration was that decision making concerning the pricing of services, the planning of new services, and hiring and investments were assigned to a greater extent to the general manager.

7.1.3 Normative Isomorphism

The third factor in isomorphic organizational change is normative pressure. Institutional legitimacy is derived from the wider institutional environment, not from the local bureaucrats who may employ their own unique interpretations of proper procedure. Professional power not only shields decision makers from having others pass judgment on their decision but also "binds supervisors and subordinates to act in good faith" (Meyer and Rowan, 1977:343).

Alpha Company takes a normative attitude to its practices and procedures, i.e., they are essentially fixed. The company bases this stance on the fact that its schedule and structure are frequently mentioned in the public accounting system, as well as in the private sector accounting system. Besides, the company is obliged to implement the public accounting system.

A junior manager of Alpha company stated that "we are obliged to apply the public accounting system, which often is not as flexible as the private accounting system".

The company's management regulations are the same as those that also govern Beta and Delta companies, while Gamma Company has its own regulations. There is influence exerted upon all these companies by professional associations (Meyer and Rowan, 1977), of which their employees are members, and by the members of their boards of directors.

These indications of normative isomorphism correspond to those identified by Palmer et al. (1993) and Scott (1987), who argue that normative isomorphism analyzes the major role of the profession within organizations.

The general manager of Alpha Company is under particular pressure because he is an economist and therefore promotes economic practices concerning the budget and decision making rather than practices which are primarily to discharge an alleged social responsibility, which are recommended by the mayor. Moreover, because the first board of directors was presided over by a municipal councillor who was a teacher at a state school, decision making was based on bureaucratic practices suitable for the development of a budget. This view of budget development, and of the budget itself, was in line with regulations rather than considering the budget a management tool.

Two middle managers stressed that "many times the chairman of the board tried to advocate more bureaucratic procedures for the development of the budget since this is typical in the public accounting system.

The second board of directors was presided over by the mayor, whose main aim was to shift funds from the company to the municipality, without taking into account the general manager's recommendations. This had been anticipated in the company's charter, and so the resulting pressure was not as great as it might have been. The last board of directors was mainly composed of people who used to be members of the local chamber of commerce, and they tended to make decisions in favour of professionals. As a result, the general manager came under pressure from various professional associations, for example, when a professor of geology proposed that priority should be given to research and to improving the protection of the show caves, the board sided with the outside expert and decided to protect the show caves as a matter of priority rather than to increase the number of tourists visiting it.

A senior manager stated that "the pressure of the geologists sometimes is crucial because many times there is a shift towards making investment decisions for the improvement of the show cave's protection or to explore the implementation of plans for new buildings".

In this way, decision making on issues such as evaluation of the company's performance, cost management, pricing and planning were affected more by the pressures brought to bear by outside professional than by the fact that the municipality was the majority owner of Alpha Company, holding 80% of shares vs. 20% held by the prefecture.

The management regulations that govern Beta Company are the same as those that govern Delta Company, while Gamma Company has its own regulations. There is influence exerted upon these companies by the professional associations to which the company's employees belong, and by members of the board of directors. The general manager of Beta Company is under pressure deriving from the fact that he is an accountant and therefore promotes practices informed by economic and accounting concerns rather than practices informed by issues of social responsibility, the latter being preferred by the mayor.

These indications of normative isomorphism correspond to those identified by DiMaggio and Powell (1983), who stated that while various kinds of professionals in earlier organizations may have differed from one another, they did show similarities with their professional counterparts in other organizations. They also argue that managers in highly visible organizations may have their stature reinforced by representation on the boards of other organizations, by participation in industry-wide or industry councils and by being consultant by government agencies.

A senior manager argued that "there is pressure from professional accounting associations to apply the procedures of that professional association rather than follow procedures which highlight the company's social responsibility".

In this way, decision making on issues such as evaluation of performance, cost management, pricing and planning was affected more by the pressures exerted on him by the general manager's associates rather than those resulting from the municipality effectively being the owner of Beta Company.

The charter of Gamma Company has many characteristics that are similar to the charter of a company that operates according to private sector criteria. Decision making in Gamma Company is influenced by external factors called "normative isomorphism" by DiMaggio and Powell (1983), primarily by having a board of directors consisting mainly of anthropologists.

Three middle managers of Gamma Company stated that "there is pressure from professional bodies, for example, from the anthropologists, on the development of the budget as well as on its implementation. This has lead many times to investment decisions being dropped and others advocated instead."

The greatest influence on Gamma Company is in the form of normative pressure, evidenced in the significant impact that the professional anthropologists on the board of directors have on the management of the company. According to its general manager, Gamma Company has faced pressure from the Anthropological Association to increase funding for excavations in spite of the fact that the company's funds should be targeted towards the development of new services.

The Anthropological Association, which is represented by the chairman and the members of the board of directors, influences the development of the budget at Gamma Company. Further, it also influences decision making and the planning of new services (Meyer and Rowan, 1977), for example, it exerts pressure on Gamma Company to employ guides who are specialists in anthropology. The general manager of Gamma Company stated that he had on many occasions proposed that the planning of services should be conducted according to their utility; however, the board of directors frequently decides to plan new services by taking into account anthropological interests. Thus, decision making is usually based on the interests of the Anthropological Association rather than on cost accounting information. This is evident in the choice of investments where the NPV technique is not taken seriously, but the social and the archaeological interest are.

In this way, decision making is not based on costs, but on social contributions and on the emergence of archaeological findings that the board of directors believes would attract visitors. The directors of the company, who have a background in anthropology, also influence the resolutions of the board of directors since their suggestions favour scientific knowledge over economic viability of investments. A junior manager stressed that, on many occasions, funds should have been transferred to areas for research and development with the aim of showing new archaeological findings that will contribute and attract new visitors, rather than giving funds to other areas. The results shows that Gamma Company is affected by external factors like normative isomorphism and especially by the Anthropological Association that exerts significant influence over decision making in the company. These results appears to be similar with the findings of Marriot and Marriot (2000) and Mihail (2004).

These indications of normative isomorphism correspond to those identified by Meyer and Scott (1983) and Meyer and Rowan (1977), who stated that cultural innovations are much more likely to have an influence when they are supported by national or worldwide professional associations.

The management regulations that govern Delta Company are the same as those governing Beta and Alpha companies, while Gamma Company has its own regulations. In this way, decision making on issues such as the evaluation of performance, the monitoring of cost management, pricing and planning was affected more by the pressure exerted by outside professionals rather than by the pressures resulting from the municipality effectively being the owner of Delta Company.

7.2 Chapter Summary

This chapter has discussed the findings of the case studies presented in Chapter Six. The discussion has concentrated on the discussion on institutional isomorphism and the role of accounting information in the show case companies.

Moreover, the analysis of the case companies revealed some interesting aspects of institutional isomorphism in the management of the show caves as is the coercive, mimetic and normative where the findings show that in Alpha, Beta and Delta companies there is coercive isomorphism from unofficial pressures by outside organizations as is the pressure to follow the municipal regime, or in the case of Gamma company there is a pressure to follow political and legislative regimes. Furthermore the findings shows that the companies face mimetic isomorphism in terms of imitating other companies when setting prices (Alpha Company), or imitating other companies when facing organizational problems (Beta Company), or imitating other companies because the chairman of the board does not appreciate the economic information made available to him (Gamma Company), or when the company face uncertainty about future success (Delta Company).

In addition the findings show that the case companies face normative isomorphism when the company is obliged to implement the public accounting system (Alpha Company), or influence by professional associations to which employees belong (Beta Company), or influence from professions (Gamma Company), or influence by outside professionals (Delta Company).

Chapter Eight
Summary and Conclusion

This research has examined how accounting information informs decision making in the management of the show caves. The use managers in the show cave companies make of accounting information in day-to-day decision making is thus an empirical question which this research has sought to address. Some researchers have argued generally that accounting information is used minimally in decision making in Greek organizations, as Greek managers often prefer information from other informal sources (Ballas, 1994). However, to date no research has focused on the show caves. The study has also addressed a number of specific research questions. The purpose of this chapter is to review the salient findings of the thesis and to evaluate the contribution of the thesis to the advancement of knowledge.

8.1 Principal Findings of Study

Otley and Berry (1994) claim that there have been many calls for the increased use of case study research, but only a small number of studies have been conducted. One reason for this is a lack of understanding concerning the contributions such research can make, coupled with an awareness of its limitations. Otley and Berry (1994) review four published case studies with which the authors have been closely involved in an attempt to distil the benefits and disadvantages of the approach.

This study takes the view that the case study method can be useful in a wide variety of contexts, but that greater clarity is needed in the way such work is written up to ensure that maximum benefit is gained. It is argued that it is incumbent upon researchers using case-based methods to be clear about their initial theoretical positions, and to interpret their results in a way that indicates the theoretical modification the empirical observations have triggered. This thesis adopts a case-based approach to explore the role of accounting information in decision making in four Greek show caves.

The first major finding of the thesis is that overall there is less reliance on accounting information such as the budget in day-to-day decision making. Thus, in practice budgets are minimally used as key management planning and control tools. Moreover, budgets play minimal roles as performance evaluation and motivational devices. There is minimal participation of lower-level managers in setting budgets in all four organizations. A top-down approach is therefore used to set budgets, and budgets are imposed by top management on lower-level managers. The minimal accounting knowledge possessed by the majority of the managers also reduced the extent to which budgets are relied on as planning and control tools in the show cave companies. For example, managers rely minimally on budget variance reports because the majority believe the reports are not tailored to their needs.

Institutional change affects the decision-making process in the management and operations of the show caves. When there is a change of mayor or of the board of directors, this will lead to a change of company procedures as well as of investment decisions. Many times the profession, the mayor or the chairman of the board will influence decision making, requiring more bureaucratic procedures if the mayor is a civil servant or less if the mayor or the chairman of the board is a private sector employee. The findings also shows that in Alpha, Beta and Delta companies any shift in the administration always leads to a shift to a more strictly bureaucratic procedure or to the advocacy of investments for the benefit of the municipality rather than for the show caves.

Thus, the perceived usefulness of accounting information in decision making in the show caves is often similar to the usefulness of other sources of information. The national and local political environment in Greece plays a significant role in decision making and operations in the show caves. In contrast, accounting information does not play such an important role. The political authorities coerce the operations and decision making in the show cave companies. These organizations do not take into account the uses of accounting information. The cultural environment shapes decision making and operations in the show cave companies, while accounting information does not play an important role. Thus, all of the show caves are operated and managed on the basis of maintaining institutional legitimacy and cultural support.

There are many similarities and differences in the operation and management of the show caves. However, the uses of accounting information between the show caves are almost identical. The main institutional forms that shaped decision making and the uses of accounting data in the show caves are discussed in the reminder of this section, under the headings of the three different forms of institutional isomorphism identified by DiMaggio and Powell (1983).

Coercive isomorphism: Alpha, Beta, Gamma and Delta companies are all subject to "coercive isomorphism", resulting from both official and unofficial pressure by other organizations, primarily the local municipal council in the case of Alpha, Beta and Delta companies and the Anthropological Association in the case of Gamma Company, which in turn are dependent on other organizations and members of society in general (and voters of course). These influences correspond to the factors identified by DiMaggio and Powell (1983) in their article about isomorphism, where they stated that legitimacy is a question of cultural theory and speaking on behalf of theory requires cultural licenses.

The findings show that Alpha Company recommends that some investments be made in the municipality, although stating that it is not obliged to make them. These findings show a correspondence with the findings of Greenings and Gray (1994) and Meyer and Scott (1983).

The local municipal councils are able to exert significant pressure on Alpha, Beta and Delta companies since they own these show cave companies. (Although Alpha Company is jointly owned by the municipal council (80%) and the prefectural or regional council (20%), this still leaves the municipal council in effective control.) The pressure is usually exercised via the mayor, who may be chairman of a company's board of directors, and / or via municipal councillors in their role as members of a company's board. The municipal council's influence is exercised in relation to budget development, the making of investment decision (seeking to influence them in the interest of the municipality), the maintenance of the respective municipal regime and the public system (Pfeffer and Salancik, 1978), employment policies and cost management. Other sources of pressure are trade unions, professional associations and members of interested professions, such as geologists and archaeologists.

Gamma Company is owned not by the local municipal council but by the Anthropological Association. While this means that Gamma Company is under pressure to further professional anthropologists' interests in exploring the caves, it is also under "coercive" pressure from the municipal authority concerning employment and investment decision making since its board of directors requires assistance from the municipal authority to acquire areas of land for development by the company.

The municipality's participation concerns the company's board of directors, who need the help of the municipality to acquire land for development activities free of charge, what is similar to the findings by Meyer and Scott (1983), Mizuchi and Fein (1999) and Carpenter and Feroz (2001), who showed that the political survival of government officials depends on their ability to negotiate exchange with the environments.

Mimetic isomorphism: Alpha, Beta, Gamma and Delta companies are all subject to "mimetic isomorphism", realized in similar ways and for similar reasons. Especially in the early stages of its operation, Alpha Company relied heavily on imitating the organizational details of other show cave companies, such as a company's investment program, budget development, management regulations, company reports and regulations of services. The form of mimetic isomorphism practised by all four companies was how they set the prices for their services – they imitated other companies rather than taking into account their own costs. They did this whether they had been in operation a long time (such as Gamma) or only a relatively short time (such as Alpha and Beta companies). In addition, Gamma Company sought to copy other companies' regulations concerning management and staff to achieve a more effective operation.

The reason the companies were all subject to mimetic isomorphism is more or less the same for all, namely, facing organizational problems, uncertainty about their future – one of the reasons for mimetic isomorphism identified by March and Olsen (1976) – and having failed to make their goals clear, with the latter most certainly contributing to the former. In addition, the uncertainties felt in Beta Company by the board of directors led to the employment of a general manager, who was given a number of responsibilities, including cooperation with experienced accountants and the gathering of better accounting information.

Furthermore, imitation was also followed in decision making in the planning of new services. Gamma Company previously held the view that new services were not needed to expand its activities. However, after seeing what other companies were doing, Gamma Company was motivated to imitate them in the planning of new services.

Moreover, Delta Company was heavily affected by the Greek Government's budget, being forced to copy many of the actions already being taken by other show cave companies, such as increasing funds for the municipality and intense monitoring of its management costs. The appointment of the mayor as chairman of the board of directors contributed to increasing the flexibility of some of its practices.

Normative isomorphism: While some of the practices followed by the four show cave companies are essentially fixed, thus showing them to be practising "normative isomorphism", this is not as uniformly so as for the other two forms of isomorphism, nor are the reasons for them practising normative isomorphism as uniform.

Alpha Company's current board of directors and Delta Company's previous board are composed of many former members of the local Chamber of Commerce, and these boards are inclined to make decisions in favour of professionals' fixed practices.

Moreover, Alpha Company takes a normative attitude to its practices and procedures, i.e., they are essentially fixed. The company bases this stance on the fact that its schedule and structure are frequently mentioned favourably in the public accounting system, as well as in the private sector accounting system. Besides, the company is obliged to implement the public accounting system.

Furthermore, the chairman of Beta Company's board of directors is a municipal councillor who is a teacher at a state school, and thus the board's decision making is inclined to favour fixed practices, for example, in the development of the budget. The decision making at Gamma Company is similarly influenced by external factors, in this case by the Anthropologists Association, which exerts pressure on the company to employ guides who are specialists in archaeology. The general manager of Gamma Company stated that he has often proposed that the planning of services should be conducted based on the convenience of services; however, the board of directors frequently made planning decisions that took into account the "fixed" interests of anthropologists.

Moreover, the Anthropological Association, which is represented by the chairman and the members of the board of directors, influences the development of the budget at Gamma Company. Further, it also influences decision making and the planning of new services (Meyer and Rowan, 1977).

8.2 Potential Contribution to Knowledge

The show caves are very important for the economy of Greece as they contribute to both foreign exchange and employment. Despite their importance, the ways in which the show caves are operated and managed is not well known due to a lack of research. Their specialised nature necessitates research. In particular, there is a need to understand the management processes of these companies, including how accounting information is used to support day-to-day decision making. This study will make a practical contribution in that it will provide policy makers and the management teams of show caves with an understanding of the management and operation of the caves. Recommendations are also made below which, again, policy makers and management will find very useful in formulating future policies on the caves.

Theoretically, the study draws on institutional theory (Macintosh and Scapens, 1990; Powell and DiMaggio, 1991) to investigate how accounting information is used in decision making in the show cave companies. Institutional researchers believe that the institutional environment of the organization shapes the design and operation of accounting control systems. Institutional theory is particularly important because it provides explanations for changes in organizational practices such as accounting control practices. Therefore, the research will contribute to studies into the use of institutional theory to explain changes in organizational practices.

Methodologically, the study contributes to case study research methodology in management accounting research. Such an approach has been emphasized in the management accounting literature as it provides an opportunity for the researcher to interact with the research environment (Burchell et al., 1980; Hopper and Powell, 1985; Jonsson and Macintosh, 1997).

In terms of conducting accounting research, New Institutional Theory (NIT) has a significant empirical application. The research shows that New Institutional Sociology (NIS) is methodologically and empirically sound and is a suitable frame-work for explaining the decision-making process in the show caves in Greece. Using NIS, researchers will be able to integrate both the social and technical phenomena of the decision-making process and provide explanations for the functioning of a particular management accounting control systems.

8.3 Limitations of Study

There are a number of limitations of this study to be taken into account. The first limitation is that, because the research focused on only four organizations out of eight, the result might not be generalizable to other caves. The aim of the research is to give a broad understanding rather than to solve particular problems. It was impossible to generalize the results of this research because such a generalization will limit our understanding of the actual decision making in these institutions. Second, no other research has been carried out into issues of accounting information and decision making in the show caves in Greece to date, and as a result, the operations and management processes of the show caves are poorly understood. Accordingly, the literature review is based on studies in other countries, but not of show cave organizations. Third, while the reports presented in this thesis are an actual representation of the background, budgets and operations in the four organizations, the real names of the organizations have been changed to the generic names of Alpha, Beta, Gamma and Delta to achieve confidentiality for the organizations.

Although this research has only focused on four of the show cave companies, these four companies have 80% of the turnover of the caves in total. In addition, the four companies chosen have the highest number of employees in the show caves.

The principal aim of the research was to investigate the companies that manage caves and, particularly, to investigate the relationship between decision making and accounting information, and whether there is influence by external factors. Therefore, the aim of the research is neither to solve the problems of these companies, nor to give advice on how to solve particular problems. Further, the research should not be used as a problem-solving tool in other organizations, as to generalize these results would reduce the understanding of the extent to which accounting information is used in decision making at companies that manage caves.

Further, there has been insufficient attention given to the companies that manage the show caves, both from researchers and by the state. This lack of attention may be explained by the fact that, traditionally, only a small number of companies have operated in the caves, the majority of which were extensions of state-run companies, having bureaucratic functions as their basic characteristic features. In the last few years, with the increase in the number of show cave companies and the decentralization of administration, research interest has grown. However, many researchers have turned to other municipal companies with other purposes, rather than to companies that manage caves. Therefore, this research is the first to provide an in-depth examination of the decision-making processes and influences on show cave companies.

Moreover, because this research was based on companies that are competitive and operate in the same area, the real names of the company employees, managers, executives and mayors have been omitted for the sake of anonymity. In this way the research does not exclusively concentrate on a company, but on a group of companies with the aim of examining whether decision making is influenced by accounting information or by other external factors.

8.4 Areas of Future Research

Future research should extend an examination of the topic of this thesis to the other four show cave companies, thereby allowing generalizations to be made that are currently not warranted. Another area of future research should be to explore decision making and the role of accounting information in other tourist organizations, such as museums and hotels, permitting the results to be compared with those obtained in respect of the show cave companies. Such research would go some way towards addressing the limitations identified in this research.

Since the mayor or chairman are influenced by their professions, another area for research is how exactly this influences the decision making of organizations, and compare this with what happens in other show caves.

Lastly, future research could explore decision making not only in municipal organizations but also in public ones, and especially focus on changes to boards of directors as a result of a change in government.

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Appendices

Appendix 1: Interview Questions

Please, read the questions very carefully and take your time giving your answers. Some of the answers require you to provide a descriptive account while others require you to provide ratings. If your answers exceed the appropriate space, please use a separate sheet. I would like to inform you that this conversation will be kept confidential and will only be used for academic purposes. The idea of the interview is to understand the operation of the accounting control system in your organization. I would also like to thank you for the contributions you will be making towards this research.

Appendix 1a: Questions on personal background

Your age is ……

Your sex is……

Your position is……

Your department is……

How many years have you worked in this company?

How many years have you worked in this department?

Have you ever worked in a similar organization?

Have you ever worked in another organization? If yes, how many years?

Your academic qualification is……

Your professional qualification is……

Appendix 1b: Questions on general background of company

1. Provide a brief description of the background of the company, including its board of directors.
2. To what extent do you think your company's decision making was affected by the requirements of the municipal code?

3. What impact do you think the requirements of the municipal code have on employees?
4. Describe how the shareholders/owners of the company influence decision making in the company.

Appendix 1c: Additional questions on background of company asked only of the general managers

1. Which year was the company established?
2. How much is its annual turnover in Euros?
3. How much is its net worth in Euros?
4. How much is its profit (loss) in Euros?
5. How many employees work in your company on a permanent basis?
6. How many casual or temporary employees work for the company during a particular year?
7. Are your company's services seasonal?
8. If yes, how does this affect the planning, control and decision-making process?
9. How many accountants work in your company?
10. Do you provide any training in accounting and budgeting?
11. How do you market your services?
12. Do you promote your services?
13. How does your accounting information play a part in such a decision?
14. Do you have a separate accounting system?

Appendix 1d: Questions on the budgetary process

Rate the following questions as high/very often or low/less often

1. To what degree do you participate in the planning of the budget?
2. To what degree do you participate in the review of the budget?

3. How often do you ask advice from your supervisors in the planning of the budget?
4. What is the degree of influence on the planning of the budget?
5. How often do your superiors ask questions relating to the budget?
6. How often do you review the budget?
7. To what extent do you consult your subordinates in the planning of the budget?
8. How useful is the information about the performance of the company's operations for the planning of the budget?
9. To what extent do guidelines refer to the budget?
10. To what extent does the superior give attention to your department?
11. To what extent are your investments consultants involved in the planning of the budget?
12. To what extent does the finance department help in the planning of the budget?

Appendix 1e: Descriptive questions on the budgeting process

1. Describe your contribution to the development of your organization's budget.
2. Describe how the mayor (or the chairman of the board) influences the budget.
3. What do you perceive are the main problems of budgeting in your organization?
4. What do you perceive are the main benefits of budgeting in your organization?
5. Describe how your performance is measured.
6. How often is your performance measured? (For example, monthly, quarterly, annually, etc.)
7. Who is responsible for measuring your performance?
8. Has any action been taken against you or anybody who did not achieve a performance target?
9. Do you have to prepare performance reports? If yes, can you describe the nature of this report? And who is the final report sent to?

Appendix 1f: Questions on the uses or roles of the budget

Following are some of the roles budgets play. Briefly describe which role your organization's budget performs, if any.

1. As a bureaucratic tool
2. As a planning tool
3. As a tool for cost control
4. As a tool for motivating employees
5. As a tool for measuring performance
6. Please state any other purpose you think your budget performs that is not identified above.
7. How would you describe the purpose of the budget in your own words?

Appendix 1g: Questions on cost management

Describe the role or purpose of cost management or cost information in your organization in terms of the following:

1. To measure personal efficiency
2. To measure efficiency of operations
3. To act as a control tool for you
4. To assist in product or service costing

Appendix 1h: The role of cost/accounting information in decision making

1. Can you describe how the following decisions are made and whether cost or accounting information is used in these decisions? If accounting information is not used, please state the main source of information for each type of decision.
   i. Pricing decisions
   ii. Planning for new services

iii. Hiring of staff

iv. Investment decisions

v. Can you describe any other sources of information, apart from financial information or cost information, which you use in decision making and also state how important they are?

2. What changes have you observed in decision making in your organization in the last two years?

Appendix 1i: Influence of the institutional environment

Please describe how the following factors are important in decision making in your organization.

a. Pressure from outside, such as from the mayor or political authorities

b. Pressure from banks

c. Pressure from board of directors

d. Pressure from senior managers

e. Competitive pressure

f. Pressure from customers

g. Pressure from professional organizations

h. Greek culture

i. Pressure to please the community or society

j. Pressure to imitate or follow other successful caves or other organizations

Thank you for your cooperation

Appendix 2: Responses to questionnaire questions (Table 6.1)

Table 6.1 Summary of responses to questions concerning factual information

	Alpha		Beta		Gamma		Delta	
Questions / Number and degree of participants	High/ Very often	Low/ Less often	High/ Very often	Low/ Less often	High/ Very often	Low/ Less often	High/ Very often	Low/ Less often
To what degree do you participate in the planning of the budget?	10	2	7	2	7	3	5	2
To what degree do you participate in the review of the budget?	8	4	6	3	6	4	4	3
How often do you ask advice from your supervisors in the planning of the budget?	9	3	8	1	9	1	6	1
What is the degree of influence on the planning of the budget?	6	6	5	4	6	4	4	3
How often do your superiors ask questions relating to the budget?	7	5	6	3	6	4	4	3
How often do you review the budget?	9	3	8	1	9	1	6	1
To what extent do you consult your subordinates in the planning of the budget?	10	2	8	1	9	1	5	2
How useful is the information about the performance of the company's operations for the planning of the budget?	6	6	6	3	5	5	4	3
To what extent do guidelines refer to the budget?	9	3	5	4	6	4	5	2
To what extent does the superior give attention to your department?	11	1	8	1	9	1	5	2
To what extent are your investments consultants involved in the planning of the budget?	12	0	5	4	5	5	3	4
To what extent does the finance department help in the planning of the budget?	11	1	9	0	10	0	7	0

Appendix 3: Organizational Structures of Case Companies

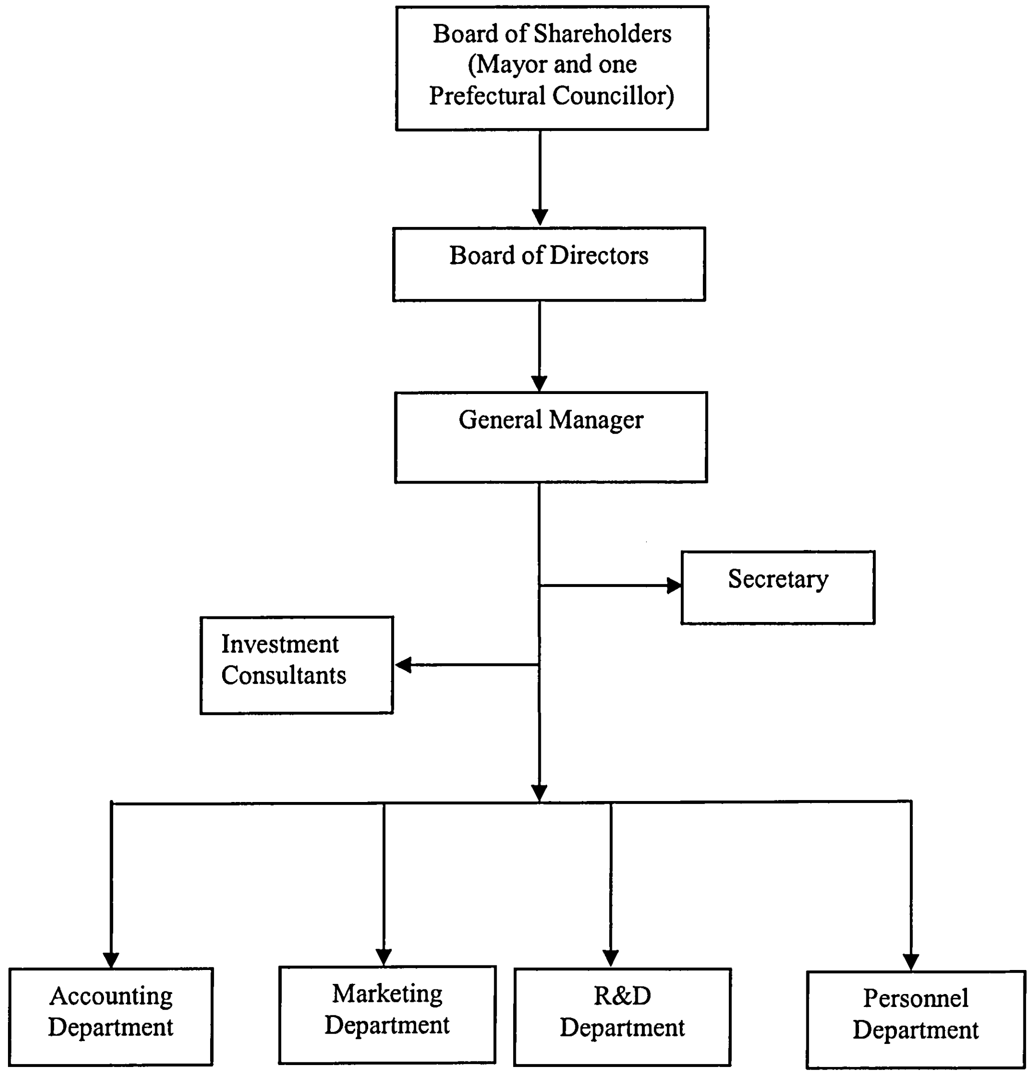

Fig. 6.3 Alpha Company – Organizational Structure

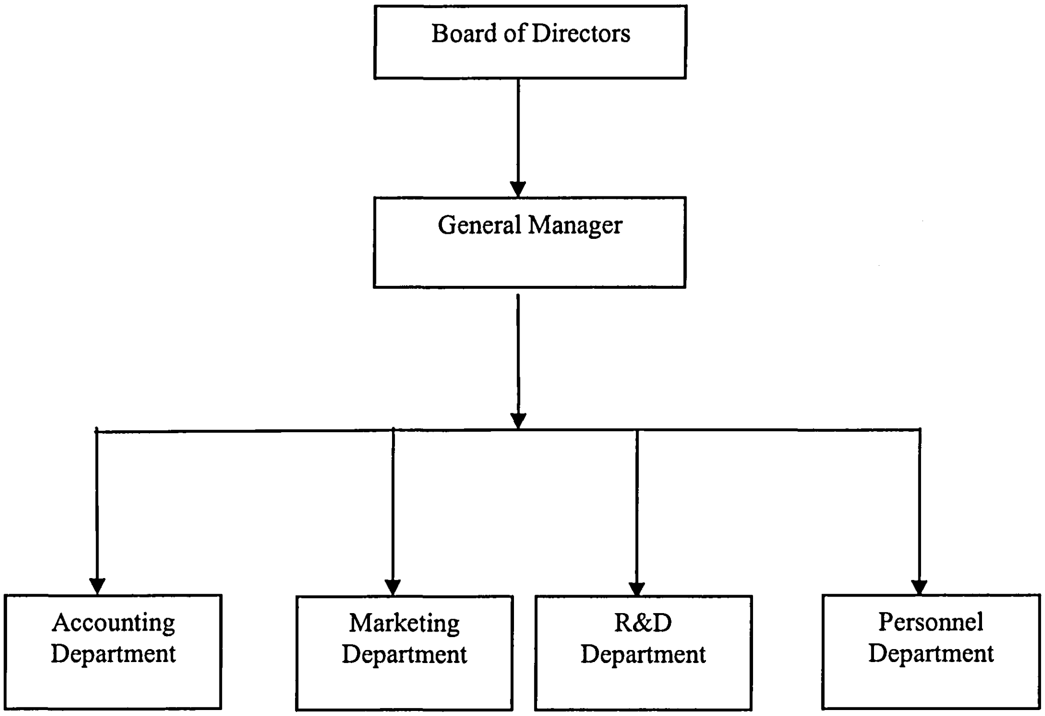

Fig. 6.4 Beta Company – Organizational Structure

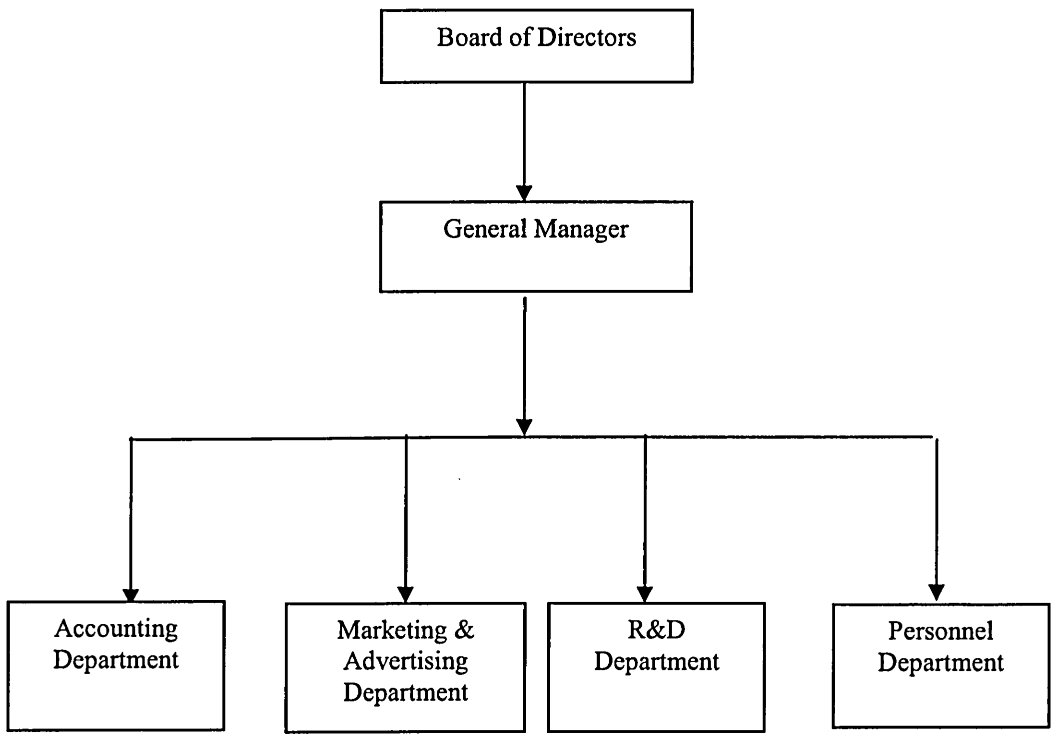

Fig. 6.5 Gamma Company – Organizational Structure

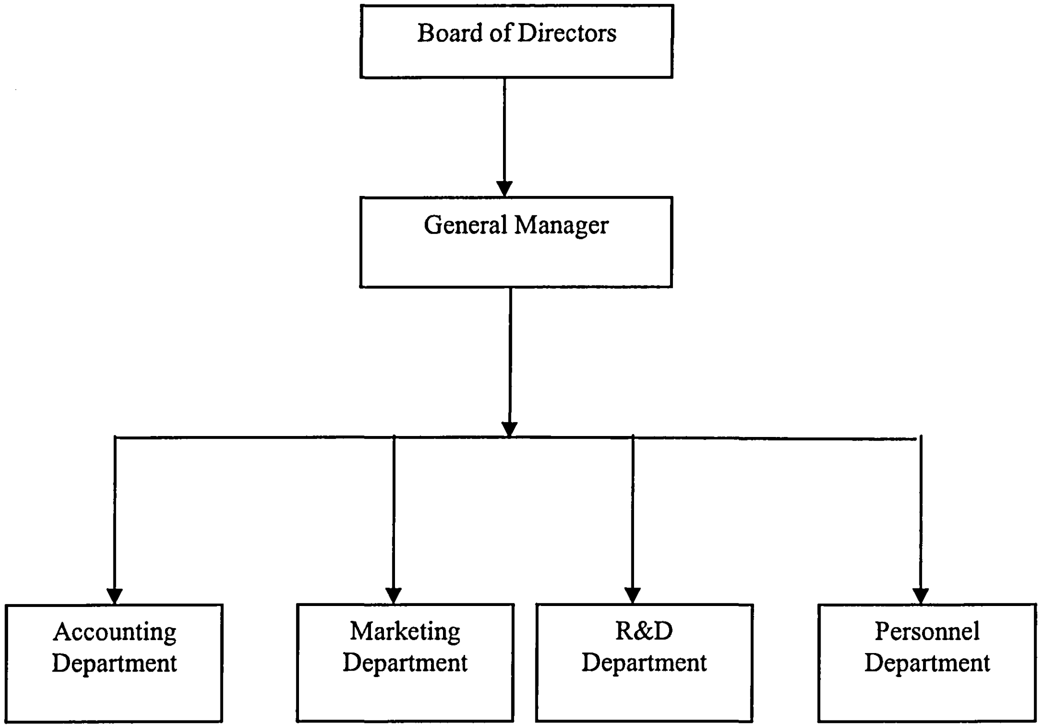

Fig. 6.6 Delta Company – Organizational Structure

Appendix 4: Decision-Making Process in Case Companies

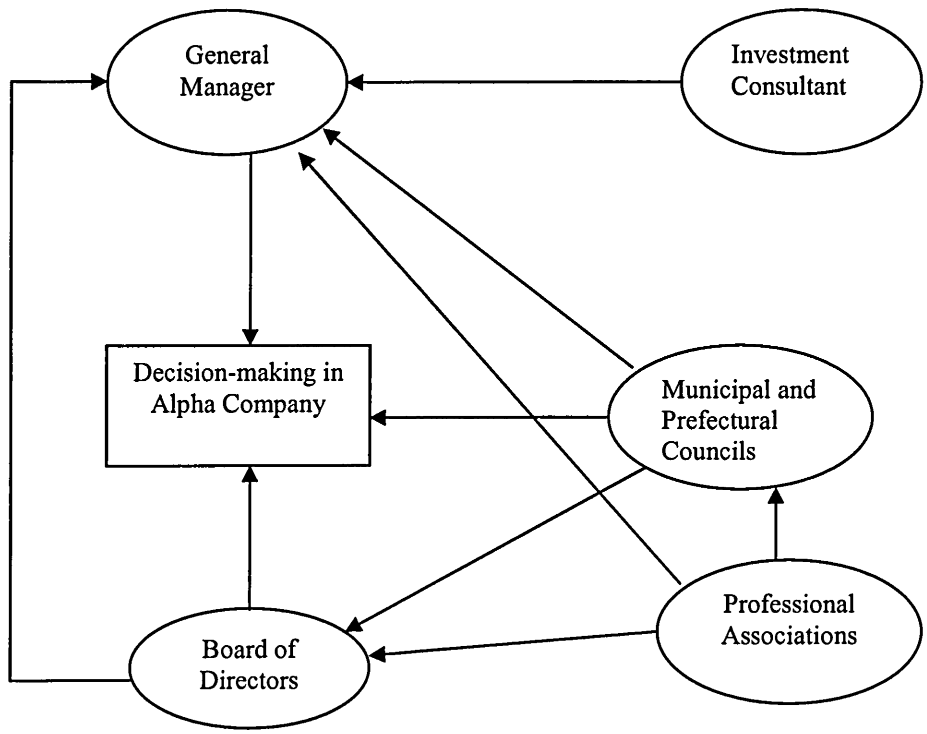

Fig. 6.7 Alpha Company – Decision-making Processes

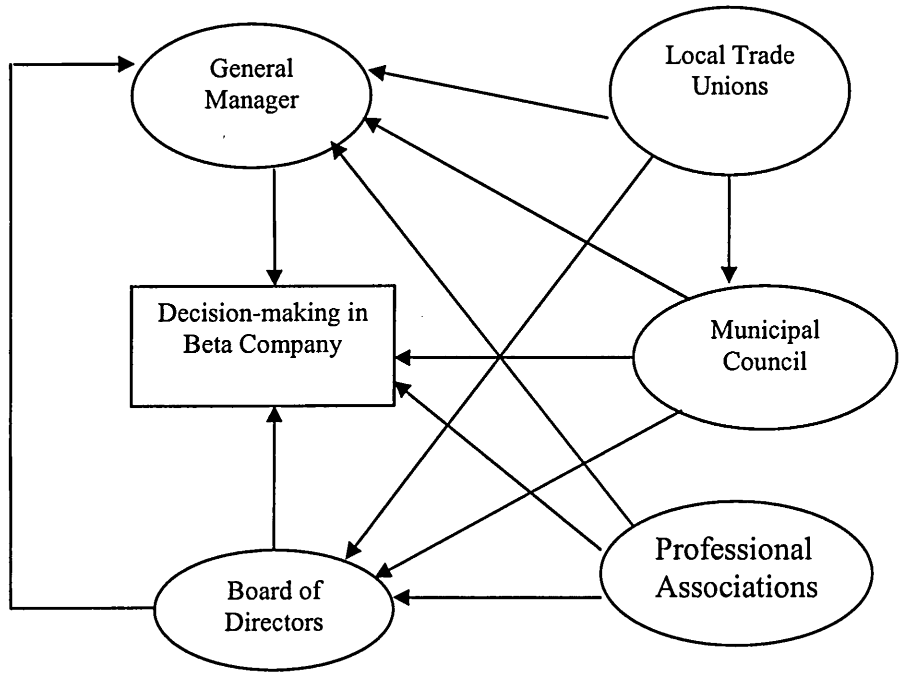

Fig. 6.8 Beta Company – Decision-making Process

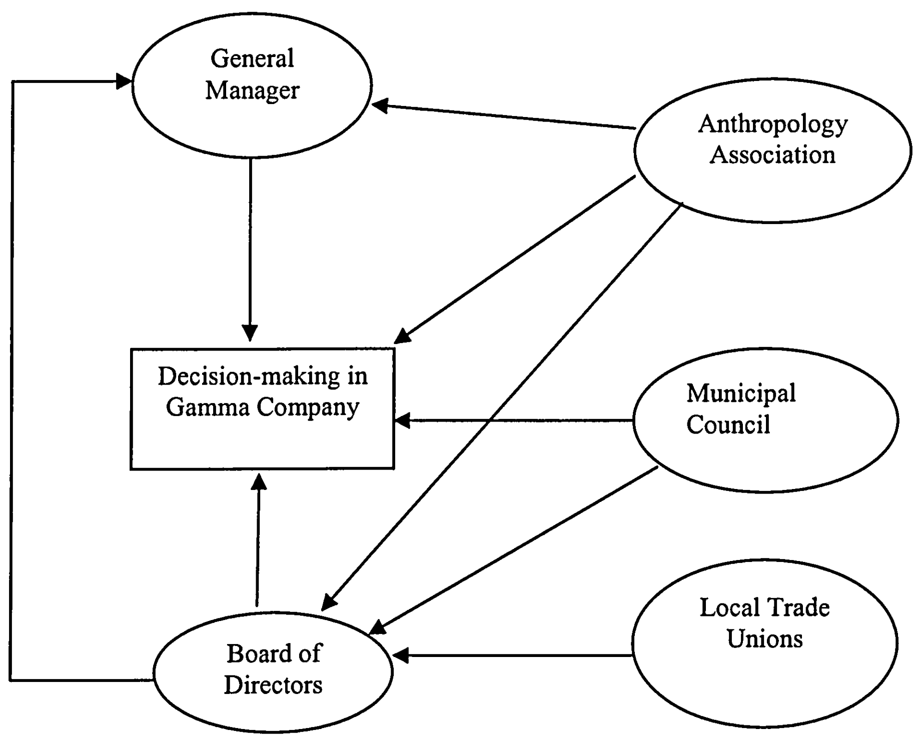

Fig. 6.9 Gamma Company – Decision-making Process

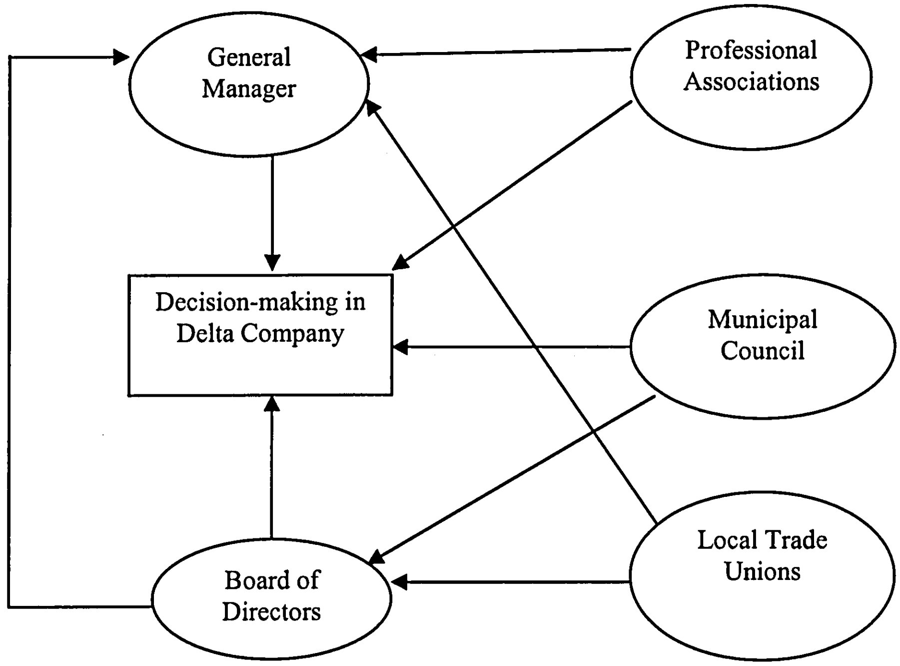

Fig. 6.10 Delta Company – Decision-making Process

Appendix 5: Definition of Terms

1. **Show Caves**: Caves that are open to the public on terms laid down by the Greek Ministry of Culture.

2. **Mayor**: Mayor of the local municipality, who may be member of the show cave company's board of directors and is usually very influential in the show company.

3. **Chairman of the board of directors**: In charge of board of directors, which is responsible for overseeing the operation of the show cave company.

4. **General Manager**: Manager responsible for implementing decisions made by the board of directors.

5. **Middle Manager**: Line manager reporting directly to senior managers.

6. **Junior Manager**: Lower-level manager reporting directly to line or middle managers.

7. **Anthropology Association of Greece**: Responsible for running Gamma Company.

8. **Ministry of Culture**: Greek government ministry responsible for monitoring the show caves and their management.

9. **Greek National Tourism Organization (NTO)**: Responsible for tourism in Greece.