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POLITICAL AND BUSINESS LEADERSHIPS IN MANAGING PUBLIC SERVICE ORGANISATION

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Abstract

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This study analyses the relationship between the state's political ideologies and the implementation of cost management strategies during the re-privatisation of a public sector organisation. Drawing on the Dillard et al.'s (2004) conceptual framework, we conducted a case study in a public sector organisation operating in the electricity market of Egypt. Data was gathered through document analysis, interviews, meetings observations and continuous interactions with key informants from 2013 to 2014. The findings show that the implementation of cost management strategies had a political basis, grounded in the state's reformative ideologies concerning re-privatisation of the public sector organisation. The re-privatisation failed because the state failed to convince a potential international investor. A theoretical contribution is to show the relevance of cost management strategies when used as a political tool to achieve a business goal, such as improving a public sector organisation's performance management in a developing country. This is the first empirical case study to analyse management accounting change based on the state's political ideologies in the Maghreb region of Africa. The key difference between this global trend elsewhere and in the Egyptian State, as in some other Islamic countries, is that Egypt was both nationalistic and militarised.

Keywords: Cost Management, Politics, Public Sector, Power, Institutional Change, Leadership.

1. INTRODUCTION

The relationships between the macro-political ideologies of a country and the process of the privatisation of state-owned companies have attracted considerable research interest in the recent literature (Robert and Warwick, 2015; Sharma and Lawrence, 2015; Noguchi et al., 2015). Focus has been on the relationships between privatisation and organisational performance (Chang, 2015), the role of consultants (Robert and Warwick, 2015), inter-organisational power, and management control systems (Noguchi et al., 2015). There is a gap in the literature regarding re-privatisation of public sector organisations and micro-managerial strategies to improve organisational performance, especially in developing countries.

The aim of this study is to fill this gap by analysing how macro political ideologies shape the implementation of cost management strategies at the organisational level, during re-privatisation of a public sector organisation co-owned by the Egyptian

government. This study uses the institutional framework suggested by Dillard et al., 2004 as a conceptual starting point. The choice of the Dillard et al., 2004 framework is based on its robust conceptual tools which can be used to analyse multi-level change processes in macro-political settings that affect organisational field practices, and micro organisational strategies aiming to achieve legitimacy at the societal level and secure organisational resources. The framework has been applied successfully in a recent study focussing on implementing international financial accounting policies at the field and organisational levels in western democracies (Guerreiro et al., 2015). A further application is needed to extend the framework to public sector organisations operating in countries dominated by military dictatorships, such as Egypt.

Empirical data came from an 'extended case study' conducted in a state-owned enterprise, referred to as Meedco, from 2013 to 2014. Meedco holds a dominant position in the electricity and

energy market in Egypt. Data is based on semi-structured interviews, field observations and documentary analysis and continuous interactions with key informants. Findings show that the political ideologies of Egyptian governments have had a negative impact on the managerial leadership and performance of Meedco over the years. As a result, governmental attempts to re-privatise Meedco failed. In this context, Meedco implemented cost management strategies to improve its performance. The implementation process did not attract international investors, however, because the state failed to convince them that their investments would be protected and evaluated at market-fair value. The findings contribute to the institutional framework suggested by Dillard et al. (2004) by showing the relevance of cost management strategies when used as a political tool to achieve a business goal, such as the organisational performance of a public sector organisation.

The main practical implication, however, is to show the potential limitations of macro political power and the state's policy of using management accounting strategies as a tool to achieve politically motivated business goals, as in the case of the re-privatisation of Meedco. The next section critically reviews relevant management and accounting literature. It is followed by the theoretical framework used, research methods and context data, findings and discussion and the conclusion.

2. LITERATURE: CHANGING MANAGERIAL REGIMES FROM COSTING TO COST MANAGEMENT

At best, cost management practices were operational, not strategic, and were embedded within budgeting and standard costing systems. Cost management has been regarded as a useful operational tool for providing relevant information to managers to assist in decision-making processes, especially in terms of operational planning and control decisions (see Alsaïd, 2017; Hoskin and Macve, 2000). However, with the emergence of Japan as an economic superpower, especially in discourses about total quality management (TQM), continuous improvement (CI) and just-in-time (JIT) production regimes, the traditional use of standard costing and budgeting practices were attacked as promoting inadequate and inefficient regimes of production and control (see Hoskin and Macve, 2000). For example, Morse et al. (1987) argued that the traditional labour, material and overhead cost standards incorporated a certain degree of leverage for waste, budgetary slack and other inefficiencies, resulting in a non-optimal (i.e., non-zero defect) production system. The traditional standard costing and budgetary systems conceive the attainment of zero defect quality levels non-optimal, that is, the zero defect quality level falls beyond the minimum total quality cost point (Johnson, 1994). Since these traditional cost standards were taken for granted as optimal, there was no focus on continuous improvement (Daniel and Reitsperger, 1992). It was only in the late 1980s that a managerial discourse emerged that highlighted the 'strategic' significance of cost management in terms of its centrality to TQM, as well as in relation to market positioning strategies (Porter and Miller, 1985).

Recent developments in information technologies have had a particularly significant impact on the emergence of strategic cost

management practices. Porter and Miller (1985, p. 156), for example, suggest that IT "has had a particularly strong impact on bargaining relationships between suppliers and buyers since it affects the linkages between companies and their suppliers, channels, and buyers. Information systems that cross company lines are becoming common". In the context of the present case study, ERP is a recent technology adapted to help organisations manage their operational chains and associated costs. Innovative business software companies (SAP, or Oracle, for example) have developed flexible and multi-functional modular packages (Hyvonen, 2013), which initially focused on optimising internal business processes across the value-added chain. Currently, ERP vendors are also offering data warehousing and supply chain management software. Additionally, demand forecasting and supply chain optimisation applications can be integrated into standard ERP modules (such as finance, sales and distribution, human resources and manufacturing). Taken together, such software (as well as hardware developments such as superfast networking and mobile scanning devices that can connect to online database systems for transaction and activity tracking) has provided a much-needed technological infrastructure by which cost accounting can be translated into cost management (Hyvonen, 2013).

Cost management has thus evolved into a strategically significant practice across organisations (see Alawattage et al., 2018; Alawattage and Alsaïd, 2018). As discussed earlier, costing has now moved beyond simply measuring and reporting product and service costs within a comprehensive managerial philosophy, attitude and set of techniques. Rather, it is a philosophy of improvement, continually promoting the need to find ways of creating increased customer value at the lowest possible cost. It has also been established as a proactive attitude – that costs result from management decisions: that is, costs do not just happen. Business partners – suppliers and customers – do not simply document decisions and record costs. They become active partners in making decisions to improve products and/or services and reduce costs. Cost management constitutes strategic techniques, such as ABC, ABM, BSC and ERP, which can be used individually to support a specific decision or collectively to support the organisation's overall management. Cost management as an element of strategic management makes it not only research worthy but also raises the question of how the transformation of managerial regimes from costing to cost management and then to strategic cost management, has been theorised in academic circles (Hopper et al., 2009; Alawattage and Alsaïd, 2018).

3. THEORY: INSTITUTIONALISM, ACCOUNTING, AND POLITICS

Dillard et al. (2004) drew inspiration for their research from a new institutional theory (DiMaggio and Power, 1983, 1991), the theory of axes of tension suggested by Weber (1968), and some elements of structuration theory (Giddens, 1976, 1979, 1984). New institutional theory analyses how organisations respond to macro-environmental pressure by implementing change policies at the organisational level in order to secure organisational resources and societal acceptance, that is, legitimacy. Structuration theory analyses relationships between organisational

structures and actions of organisational actors, that is, agency. Weber's theory on axes of tension uses concepts of representation, rationality and power to explain potential tensions that take place at different organisational levels during the implementation of a change policy.

Dillard et al. (2004) argue that organisational change is political. The power of organised interests shape the multi-level process of institutionalisation that starts at the social environmental level and continues to the organisational field level before it is institutionalised at the organisational level. The social environmental level is a field of macro political economic policies. This operates by establishing norms or criteria that become implemented at the societal level and in organisational fields. The organisational field includes industry groups and professional trade associations. For example, a national Parliament has the power and authority to set labour laws that establish legitimate practices in labour relationships at organisational field level and in organisations. This means, that norms, criteria, and practices established at the macro political level become translated at organisational field level into legitimacy criteria to evaluate whether actions that take place in the organisational field are legitimate (Chang, 2015). These legitimacy criteria established at organisational field level are translated into operating practices to provide the legitimating and regulating bases for action at the organisational level (Dillard et al., 2004; Guerreiro et al., 2015).

Each organisation adopts different strategies, ranging from early innovators to late adopters, to secure organisational resources and legitimacy in the organisational field and societal levels. Innovators are early adopters of norms and practices that are regarded as legitimate at organisational field level (Bol and Moers, 2010). Later adopters, by contrast, are those organisations that adopt practices and norms that have already become institutionalised by innovators (Bol and Moers, 2010). The adoption can be substantial or ceremonial, depending on whether the organisation is under high-level pressure to emulate the operations of other organisations in the same industry or intend to become regarded as a leading organisation in the industry (Ezzamel and Burns, 2005). Innovative practices can move horizontally or vertically. They can modify legitimate practices and criteria in the organisational field by reinforcing, revising, or eliminating them. New organisational practices, when perceived as being in line with 'better practice', become adopted by other organisations within the same organisational field, that is, they become institutionalised at organisational field level (Ezzamel and Burns, 2005). New practices at the organisational field level, however, have the potential to influence the broader macro political and economic environment. Hence, they affect symbolic sense-making criteria at the societal level by reinforcing, modifying, or eliminating existing norms and practices established at, amongst others, the economic and political levels (Dillard et al., 2004; Chapman et al., 2014; Agrizzia and Sian, 2015).

Hopper and Major (2007) have extended the Dillard et al., 2004 conceptual framework by using a different approach to analyse the diffusion of innovation processes at the organisational level. They replaced the two extreme alternatives suggested by Dillard et al., 2004, that is, early innovators versus

late adopters, by a process through which organisational field practices become translated into working practices before their implementation in each organisation. The translation process is based on the assumption that ideas and practices are interpreted and reformulated during the process of adoption (Greenwood et al., 2008; Robert and Warwick, 2015). Accordingly, if organisational actors experience institutional contradictions, such as inconsistencies with established social arrangements, the consciousness of actors is reshaped and resistance against imposed institutionalised practices should be expected. Hopper and Major's (2007) conceptualisation is based on Seo and Creed's (2002) four sources of institutional contradiction: (1) legitimacy demands and functional efficiency; (2) imperatives to adapt to external environments, existing identities and routines; (3) interconnected institutional arrangements; and (4) actors' interests. Because these sources of contradiction affect the collective consciousness of actors and their praxis, they provide alternative logics of actions that take place during the process of institutional change at the organisational level (Hopper and Mayer, 2007).

Critical studies have analysed relationships between the implementation of macro political policy change, such as privatisation, and accounting practices at organisational levels (Sharma and Lawrence, 2015). For example, Skærbæk and Melander (2004) have analysed the role of accounting during an organisational change process to privatise a Danish owned Ferry company. Their study shows that accounting plays different facilitating roles depending on the strategic steps involved in the privatisation process. Cragg and Dyck (1999) have analysed the relationships between the ownership structure and internal control practices of state-owned firms when they start to trade publically in the UK. Their study shows that state-owned firms change their internal control practices when they start to trade in the UK stock market. Uddin and Hopper (2001) analysed the effect of full privatisation on the management accounting and control systems of a soap manufacturing company in Bangladesh. Their study shows that the senior management team started to use budgets as devices to monitor organisational performance after privatisation. Moreover, the company institutionalised a new computer-based accounting system to speed up the delivery of financial information to key decision makers.

In another study, Uddin and Hopper (2003) used data from the World Bank to compare the accounting and financial performance practices in the Bangladesh company and other privatised companies in Bangladesh. Their results revealed that all companies analysed had changed their accounting and financial management systems to comply with the legal requirements applicable to privatised companies. Uddin and Tsamenyi (2005) have examined changes to budgetary control and performance monitoring in World Bank-sponsored public sector reforms in Ghana. Their findings show that budgetary practices did not change substantially. However, budgetary reporting did change. The budgetary process continued to be a political forum, directionless and ineffective. As a result, budgetary reporting to the monitoring agency did not make any positive changes to accountability and organisational performance.

Sharma and Lawrence (2015), reached similar findings when analysing the process of privatisation of a state-owned Telecom Company in Fuji. Xu and Uddin (2008) have examined public sector reforms with special reference to privatisation and its political impact on changing regimes of management control in a Chinese state-owned enterprise. The rationale for privatisation in China is that public sector organisations that become privatised have to control costs and improve their performance, which will improve economic growth and employment. The findings of this study show, however, that privatisation failed to achieve expected outcomes in the organisations analysed. Ezzamel and Burns (2005), have analysed power relations between organisational actors in a struggle over a management control strategy during the implementation of a new performance measurement system - Economic Value Added (EVA) - in a large UK company. This company designed EVA to replace the previous performance measurement system, which focused on profit margins, and which had been suspended after six months' use. The main reason for this suspension was that conflict had arisen between the company accountants and the management team. However, EVA did not become a component of the day-to-day information used in different organisational levels. There was no matching or harmony between the new rules that emerged with EVA and existing institutions or the taken-for-granted assumptions the new rules were grounded in. In contrast, Nagushi et al. (2015) found a positive relationship between military leadership and the operational management of the Mitsubishi Corporation during the implementation of the new management accounting and control systems in Mitsubishi after the Second World War.

Our operationalisation of the theoretical framework of this study follows three steps: First, the study analyses the political ideologies through which the case study organisation became nationalised and its re-privatisation failures. Second, the study analyses managerial strategies that prevailed at organisational field level after the re-privatisation process. Third, the study analyses managerial strategies used to improve cost-management and performance of the case organisation.

4. METHODOLOGY

4.1. Extended case study

Burawoy (2009) has suggested using extended case study methodology when conducting a qualitative study intended to contribute to theory. One requirement is to collect data that shows macro political settings in which micro organisational change policies are implemented. Another requirement is to combine different types of data, such as, document analysis, interviews and meeting observation in order to analyse how organisational members react to micro organisational change policies and the role of accounting tools in implementing the change (Ahrens and Chapman, 2005).

The study used the Dillard et al.'s (2004) framework as a dynamic, (as opposed to static) structure to design the research work and collect the data. The framework provided the tools to analyse historical and institutional dynamics that have taken place at the macro political level and in the case study

organisation. Data collection was based on two perspectives. The first perspective focuses on market and industry conditions that make cost management one of the fundamental strategic tools to implement national political ideologies in organisational fields and organisations when structural competitive contexts change. The second perspective focuses on internal re-configuration of organisational structures, processes and practices through which a package of strategic cost management practices becomes institutionalised. The macro data, that is the data implementing the first perspective, was gathered by document analysis including official financial reports, articles in periodical magazines, local newspapers, academic journal articles, and information on the websites of the organisations analysed. The micro data was collected through interviews with key organisational actors, such as accountants, operational managers and IT staff in addition to the document analysis and meeting observations.

Data collection took place in a government-owned company known as Meedco (Middle Egypt Electricity Distribution Company). Meedco is one of the biggest electricity and energy distribution companies in Egypt; it has 13 branches in different regions. Its market share exceeds 56 per cent of the national market; its annual profits have increased to 1.7 billion Egyptian Pounds (approximately £1.5 million). It has 8,718 employees including engineers, technicians and administrative staff. The choice of Meedco was based on three reasons. First, it is illustrative of the macroeconomic transitions and political ideologies of Egypt that have moved from a centrally planned economy to a free market economy. Second, it was believed that Meedco had the potential to provide appropriate data for the case study. Third, the leadership of Meedco and the Central Agency for Public Mobilisation and Statistics in Egypt provided formal permission to collect the data (Ahrens and Chapman, 2006).

The case company was dependent technologically and in terms of the market on foreign capital. Philips, as it was then, was a leading international company in the electricity industry, based in Britain; it established its branch in Egypt under the name of 'Philips-Orient' in 1940. Its main activity was distributing hydro-electricity, which was launched for the first time in 1944 in light of the political practices of the colonial state. After nationalisation law no. 118 (1961) was passed, Philips became a 50 per cent public sector company, trading under the name of Middle Egypt Electricity Distribution Company (Meedco). Its electrical products and services continued to carry the brand name 'Philips' until the public sector crisis and its successive losses, which by the end of the 1980s had swept away state-owned enterprises. By the early 1990s further political change led to a number of re-privatisation initiatives by the company (Meedco, 2013).

4.2. Data collection

Data collection started in November 2013 and ended in February 2014. The case company was visited nine times during a planned period for the main data collection phase from 15th November 2013 to 15th February 2014. The interval between each visit ranged from 7 to 10 days. Between 4-5 interviews were conducted during each visit and the working day was

spent within different operating departments. The research was conducted from the beginning of the working day for employees (from around 8 a.m.) until they finished their operational routines at 3 p.m. In all, 42 formal interviews were conducted with 28 different people, namely, 16 accountants, 7 operational managers and 5 IT staff. Their practical experience in the management and accounting fields ranged from 5 to 25 years. Interviews were tape recorded and transcribed whenever possible. They were conducted in either Arabic or English; the choice being left to the respondents. They ranged from thirty minutes to two hours depending on work circumstances and the time available with each interviewee. Most interviews, however, lasted for around one hour. At the end of each interview we were given contact details for interviewee(s) so that s/he might be recalled later in the data analysis phase: this was to facilitate a fuller understanding of anything that remained vague and to enable a follow-up to anything new that might have occurred in their operational cost management practices.

The finance manager (FM) provided us with an office (next to his office room) during our stay at the company. We joined the FM and his staff during their lunch breaks, in the course of which numerous work-related discussions were observed. We were able to move freely inside the company, thereby gaining access to the on-site library and other information sites. This contributed greatly to knowledge of the company and to a sense of what was going on in general terms. Two joint meetings were conducted with the marketing manager, the FM, the head of the cost management department and the IT manager. In addition, eight meetings involving key decision makers in the organisation were directly observed. The meetings were not tape recorded. However, the taking of notes was permitted. Observation of meetings contributed to a further understanding of the role of management accounting information in organisational decision making.

5. ANALYSIS: INSTITUTIONAL DYNAMICS OF POLITICAL IDEOLOGIES

5.1. Political ideologies and managerial structure of Meedco

A national revolution took place in 1952 in Egypt. Its immediate outcome was the end of colonisation and the beginning of a military dictatorship. The military regime decided to nationalise business multinationals operating in Egypt. One of the key political aims at that time was the gradual transformation of the colonial capitalist regime to a nationalised socialist regime. The intention of the new regime was to benefit from foreign expertise in the management of multinational companies operating in Egypt. As a result, a new law on nationalisation came into force in 1960.

"...The postcolonial regime tried to show changes in state governance by opposing the commercial interests of the West in the Middle East and by adopting aggressive politics against foreign companies in Egypt" (Farah, 2009, p. 54).

The original name of Meedco was Philips Oriental. Philips Oriental was a branch of Philips Ltd., a UK based multinational specialising in electricity and energy markets. Philips Ltd established Philips

Oriental in 1944 in Egypt. The 1960 law transferred fifty per cent of Philips Oriental's shares to the Egyptian government. Philips Oriental kept the remaining fifty per cent of shares. The brand name of Philips Oriental ceased to exist in Egypt and was replaced by the brand name Meedco. Elites from the military regime took over Meedco's senior management positions. Products and services of Philips Ltd, however, continued to carry the brand name 'Philips' until the political crisis in the late 1980s.

The 1980s crisis swept away state-owned enterprises and ended nationalisation policies.

"...The historical development of macro economy and politics in Egypt has demonstrated that inter-elite power conflict has been and still is the prime factor in the quest for political change. In many instances, the power struggle between Egyptian elites and foreign elites has forced Egyptian elites to form alliances with other classes in society, especially the middle class, in order to protect their own interests and to dislodge the power of foreign elites" (Farah, 2009, p. 55).

From a critical approach, however, the 1960s-1970s nationalisation was a partial failure because the government could not fully nationalise foreign multinationals, such as Philips Ltd. Meedco relied on foreign capital both financially and intellectually to be able to operate competitively.

In the early 1990s, the Egyptian government tried to re-privatise Meedco by selling its shares back to Phillips Ltd. The re-privatisation process failed, however, because Philips Ltd did not trust the profitability estimations suggested by the government. As a result, the government transferred the senior management of Meedco to the Egyptian Electricity Holding Company (EEHC) under the supervision of the Ministry of Electricity and Energy in 1991. The government shares were also transferred to the EEHC (Meedco, 1998). Transferring Meedco to the ministry of electricity and energy gave rise to managerial tensions between the ministry and Philips Ltd. The tensions resulted from disagreements concerning setting the company's business priorities. There was a mismatch between the wider political-military objectives of the state and narrower financial objectives of the company.

The government attempted to resolve this problem by trying to resell its shares in Meedco to its foreign co-owner i.e., Philips Ltd in 1997. Negotiations failed, however, because Meedco had experienced successive losses since the early 1990s. Philips Ltd evaluated the value of its shares as equivalent to 60% of the total value of the company. Government officials estimated the value of its shares in Meedco as equivalent to 50% of the total value of the company.

The political struggle over the re-privatisation of Meedco was a consequence of the increasing need by the government to attract and entertain foreign direct investors. To become more attractive, Meedco initiated substantial reforms in its performance management system, including ERP (Enterprise Resource Planning) to improve profitability. However, because of increasing political tension between Philips Ltd and the government, the weakness of investment potentials in Meedco, and the lack of a legal framework to protect foreign investors, Philips Ltd decided to withdraw all its investments from Egypt in 1998.

This finding shows the relationship between political ideologies of the state and inter-organisational management practices between the state and co-owners of a state-owned company, such as Meedco. Egypt became nationalist and militarised on the political front in 1952. Nationalisation became a macroeconomic tool (Zohny, 1988). The result was the integration of political and economic apparatuses into a single structure of governance (Wickramasinghe and Hopper, 2005; Cragg and Dyck, 1999). There was a massive nationalisation programme and 'communism' was a popular political ideology in Egypt (Uddin and Hopper, 2003; Alawattage and Wickramasinghe, 2008). However, one of the key differences between this global trend elsewhere and in the Egyptian State, as in some other Islamic countries, was that Egypt was both nationalistic and militarised.

In this setting, the historical evolution of managing public sector organisations in Egypt needs to be understood in the context of Egyptian macro-political dynamics. In accordance with Dillard et al. (2004), it is paramount to include macro political criteria in analysing micro organisational change policies. Distinct fields, such as the electricity and energy market in which Meedco operates, are constructed through the political logic of the state.

The findings of this study show that electricity and energy production and distribution in Egypt have been managed at three distinct but interrelated levels since the 1950's revolution: the political level, the field level and the organisational level. Neoliberal political reforms - privatisation and re-privatisation - have penetrated all these levels to transform performance management practices, in effect institutionalising a neoliberal regime in which performance management has become not only a strategic imperative in a managerial sense but also a political imperative in terms of state politics (Hopper and Major, 2007). While privatisation instigated the changes required in political ideologies and ownership structures, in order to establish the political and institutional infrastructure for neoliberal transformation, re-privatisation brought about the accounting technologies, such as ERP, that enabled such ideological and structural transformation at the micro level. Thus, micro-level changes in performance management practices became a political as well as a managerial imperative (Naguchi et al., 2015).

5.2. Managerial efforts to improve the competitiveness of Meedco

To improve competitiveness, Meedco's senior management decided to divide its Egyptian market into two geographical regions: the northern and southern regions. Each region has different sub-markets. Both regions are integrated into a Central Operating Area (COA) established in 2005. The role of COA is to monitor the financial performance of each region regularly. The COA provides a quarterly performance evaluation report, known as 'cost report', to the Ministry of Electricity and Energy.

Since the 1990s, Meedco started to expand its market activity in response to macro-political pressure from the Commission of the European Union and the government of Egypt to modernise public-sector organisations operating in the business

sector and to privatise them. During this process, Meedco started to import and sell electronics, such as televisions, refrigerators and electric light bulbs. In 1999, Meedco decided to prioritise the manufacturing of light bulbs. This was maintained in addition to distributing electricity. Meedco was the first company to sell 'energy saving bulbs' in Egypt and to export them to Arab markets through a large factory in the Middle East. Currently, Meedco operates three production factories: a glass factory, a general lighting and special electric light bulb factory, and a fluorescent tube factory (Meedco, 2013).

The adoption of new operating strategies has been at the forefront of attempts to make the company more attractive to private investment. Meedco faces intense competition from other electricity production and distribution companies. For example, the Deputy Board Director indicated that each manager tries hard to sell his products at the lowest possible price in order to attract the largest number of customers. In 2005, the senior management team had to adopt a new pricing policy which classified sale prices into three levels: high, medium and low. Each price level targets a specific customer segment and applies to specific technical aspects of electricity distribution.

In the early 2000s, Meedco decided to sell the first two levels of its electricity services at a breakeven price, in order to attract new customers and increase its market share. The Deputy Board Director explained: "...We have actually succeeded in that and the company now holds about 57 per cent of customers in the Egyptian electricity market, especially with respect to the sale indicators of the first level".

Document analysis indicates that Meedco made a profit by selling the third level electricity services to its loyal (and wealthy) customers. The profit compensated for losses from the sales of other electricity services at cheaper prices and improved total profitability in the company. The financial manager commented: "The reason that pushed senior management to adopt a new pricing policy and re-classify electricity sale levels is intense competition... among electricity distribution companies... There was also a desire to increase the number of customers and acquire a competitive advantage in the market".

When Meedco succeeded in becoming a market-oriented company, it expanded industrial activities, established new production factories and advanced distribution stations in order to maximise profits, compensate for previous losses, and cope with the EU-Egypt requirements of economic reform in public sector organisations operating in Egypt.

This finding suggests that successful micro organisational change in Meedco was a result of positive inter-organisational relations between politicians at the macro level, field actors and organisational actors within Meedco. The macro-political relations concern wider political structural changes at the state level and between the state and the EU (Dillard et al., 2004). They have been instrumental in implementing micro-managerial changes to improve Meedco's competitiveness. Another success factor was the positive internal and external power relations in Meedco (Dillard et al., 2004). External power has been imposed by political actors, that is, the government, and field actors, that is, the EEHC, in the form of laws, decrees and

regulations. Internal power has been imposed by the board director, as regards the single procedural protocol of improving performance management strategies.

In conformity with previous literature (e.g., Graetz et al., 2002; Josiah et al., 2010; Yang and Model, 2013) the power of international regulators – in this case, the EU – influences the application of new accounting and strategic management regimes. As a result, Meedco played a strategic role for the state when implementing modern management accounting and control system, such as the ERP, to comply with expectations of the EU and the Egyptian ruling power. The formal power that Meedco adopted was coercive and legitimate. The use of macro coercive power, however, was accompanied by a micro organisational ‘participative’ role provided by the company itself. This finding contributes to previous studies showing intra-organisational resistance against macro-organisational changes in public sector organisations because of conflicts between interests of organisational members and new political rules of the state (Guerreiro et al., 2015; Agrizzia and Sian, 2015; Chang, 2015; Robert and Warwick, 2015; Sharma and Lawrence, 2015; Noguchi et al., 2015).

Our findings show that the use of power by a government body or by central government can assist in the introduction of new performance management regimes when the coercive power has a participative role. The role of power is evident in this instance from its influence on public entities during strategic political reforms over the last decade: privatisation and re-privatisation. This is in agreement with Dillard et al. (2004) in that the impact of some forms of power, such as leadership power, can contribute significantly to the success of performance management reforms.

5.3. The role of ERP in signifying cost management

Meedco’s implementation of a new ERP system, as one of the modernisation initiatives, has signified cost management at the organisational unit and inter-organisational levels. ERP has helped the company to improve their cost calculations, cost allocations and cost measurements, via a refined system of cost coding, identification and comparisons. The day-to-day operating routines, however, vary from one department to another depending on the responsibilities of each unit within the company. A senior cost accountant indicated, for example, that the sequence of daily work for the General Accounts and Budget Department varies from the procedural steps taken in the Cost Department. Tasks of cost managers vary from department to department. In addition, we observed that the ERP portal varies from department to department as well, depending on the identity and authority of each manager, and the level of power framed within the department. The configuration of ERP is based on what is called ‘users power’ in Meedco. That is, each actor has specific authorities and, accordingly, specific portal configuration.

For example, in the cost department, day-to-day operating routines for each accounting actor begin by them logging on to the system through an individually assigned username and password. Daily cost control practices are concentrated in two main menus within the ERP portal: Inquiry and Reports. As

the cost department chief manager indicates, the Inquiry Menu is the basic menu for daily cost activities: it includes features that address cost accountants’ daily tasks; the Reports Menu includes functions that deal with periodic cost reports. Other operational ERP menus cover the technical settings for the system itself. The basic ‘Inquiry’ menu includes five functions to deal with day-to-day (or periodic) cost activities. Some of the cost accountants observed that the first feature deals with ‘inquiries’ about journal entries and balances of accounts. The second addresses the ‘analysis’ of cost centres, the cost movements against activities and accounting units, the analysis of activities on cost centres and the analysis of cost centres on activities. The third function deals with ‘inquiries’ about the total cost movement against activities and the balances for cost centres. The fourth function presents ‘graphically’ the balances of accounts, the movement within cost centres and the balances against activities. The fifth function provides access to the SQL tools, that is, the standard language for accessing databases and further inquiries. Each function has a specific template through which the cost managers can carry out their operational cost calculations, allocations and measurement routines.

The secondary ‘Reports’ menu, as explained by some of the cost accountants, has basic functionalities that they use monthly. They provide four main managerial accounting reports: the account statement, the trial balance, journal entry audits and total accounts movement. Each has a specific template that the cost accountants use to prepare monthly cost reports. The aim of each report is to analyse cost management in the accounts of each cost centre. When a cost accountant ‘clicks’ on a template, the template appears on the screen. The template includes a variety of blanks that the cost accountant fills in to complete the required reporting process, including type of account (functional or qualitative), the period of time over which the process has been carried out (from-to), the way of displaying cost centres (columns or rows), journals (from-to), activity (from-to), units (from-to) and total costs.

Implementing ERP has institutionalised the use of cost journals. The template includes three basic journals that the cost accountants use regularly: the balances journal, the documents journal and the adjustments journal. A senior cost accountant indicated that cost accountants use the cost journals each month when they receive the trial balances of geographically distributed operating branches and regions for auditing and balancing against the company’s central balances. The records are classified into two geographical regions: Northern and Southern. The cost accountants receive these by email. Before the implementation of ERP, employees of different branches and regions travelled to the head office of Meedco to deliver the cost reports there personally. After successful implementation of ERP, they started sending their trial balances electronically via email. After receiving the trial balances, the cost accountants begin loading them into the central balances journal. When that is done, the accountants begin to reconcile monthly cost balances in the company’s books for each region. Sometimes they find differences between them. In such cases, the cost accountants send an email to the relevant branch or region to audit these differences. They then record

and describe the adjustments in the central balances journal of the branch or region that had to have cost accounting differences.

ERP has introduced the documents journal that shows daily cost processes at the company's head office. It includes a specific form on which the cost accountants record and describe day-to-day cost transactions occurring at the company's head office in the form of 'journal entries'. A cost accountant explained: "The daily disbursement documents are first moved from the Inventory Department to the General Accounts Department and then to the Cost Accounts. The cost accountant prepares the monthly trial balance regarding cost processes at headquarters and balances with the General Accounts Department and the Inventory Department in order to ensure the correctness of the cost balances".

As a result, cost accountants can obtain the disbursement documents through the ERP database directly. A senior accountant commented: "I can obtain the disbursement documents for each project separately. When recording the code of a project, the system shows the disbursement documents through which I can determine the disbursed supplies for each project. As the inventory accountants upload their documents into the system, I can see them automatically on my own screen".

Through the documents journal, ERP has institutionalised two key items: cost centres and cost accounts. The cost centres are shown horizontally while the cost accounts are shown vertically. The senior cost accountant explained that the cost centres are classified in the documents journal into five centres: the management team, the training centre, the control centre, the printing centre and the invoicing centre. A senior cost accountant explained: "In the old computerised system, the documents journal included three cost centres only: management, the control centre and the invoicing centre... The training centre and the printing centre were separate cost centres for the system. They had special books, which were prepared manually..."

The implementation of advanced operating functionalities, as in the Oracle ERP programme, has enabled the IT department to add the training and printing cost centres into the documents journal. A senior accountant commented: "This upgrade has enabled cost accountants to re-code all cost centres. The current codes of cost centres... are as follows: the firm management centre 01, the training centre 02, the control centre 03, the printing centre 04, and the invoicing centre 05. The 'zero' numbers indicate the code of the region in which the firm is located".

Another change of cost management routines in Meedco focuses on 'costs movement' as opposed to focusing on each cost separately. The accountants and managers have acquired routines to analyse and understand costs based on 'movement'. During our case study, managers used the word 'movement' to explain the impact of analysing costs through the integrated supply chain of Meedco's products and services. It is this movement in costs that has become the driving force of all operational and strategic actions within Meedco. It has become the basic calculative logic through which organisational performance is understood. The purpose of cost reports has been re-defined to focus on managing total costs rather than reporting costs for auditing purposes. The chief manager of cost departments

explained: "...One of the most important roles that the cost department plays is to control the daily cost movements in different operational departments. Each chief of the cost sub-departments (e.g., inventory cost department chief, purchase cost department chief, indirect cost centres department chief, production cost centres chief) is responsible for controlling daily operating and cost movement".

This kind of role is not confined to the level of senior cost accountants (i.e., chiefs of cost sub-departments) but includes each of the cost department chiefs, the finance manager and the board director. The cost department chief explained that one of his tasks is the daily monitoring of the entire movement of the costs through operational and financial numbers recorded into the ERP system. The daily operating report is then uploaded, which covers the cost movements that have taken place within the company. The daily operating report is sent to the finance manager automatically. The finance manager commented: "...Every day I enter into the system and print this report... I check it and keep it in the 'daily movement file'. If I discover any significant difference from the budget, I contact the cost department chief and the chiefs of relevant operational departments in order to inquire whether these differences are 'positive' or 'negative' for the firm and to require a detailed report for the variances..."

These cost reports have been instrumental in changing managerial actions and behaviour in Meedco. The Deputy Board Director states that the Board Director controls cost movements through these daily cost reports. The reports guide the senior management team's behaviours and strategies, which are adapted for cost minimisation and profit maximisation. Through them, the relevant employees can determine cost and price increases or decreases compared to previous periods, considering economic circumstances and other political considerations surrounding the field.

For example, the 2012 cost report revealed increases in costs compared to the previous periods. The EEHC required a detailed report about the reasons for these increases. The company established a committee (including the board director, the FM, the cost department chief and chiefs of other operational departments) to discuss the reasons for these increases during that period. The committee reported that there had been changes following the revolution of 25th January 2011 and that they had had an impact in terms of the following increased costs: (1) increased import costs for the high-quality cables that are installed in streets; (2) increased electricity supply costs from power stations; and (3) increased transportation costs to get company equipment to specific sites.

After receiving the report of the cost variance enquiry, the EEHC decided to change operational strategies of Meedco. The strategic change decisions included: (1) purchasing cables from the domestic market rather than importing them, while retaining a satisfactory level of electricity provision to customers; (2) increasing electricity sale prices in accordance with increases in purchase costs from power stations; and (3) subcontracting one of the transportation companies (the Hope company), which offered lower costs for five years.

This finding of our case study is consistent with

the conceptualisation of internal organisational dynamics that shape the implementation of new organisational practices (Hopper and Major, 2007). Such conceptualisation, based on the concept of translation, is particularly useful in the context of adopting ERP as compulsory practice in Meedco. Positive relations between the military leadership at Meedco, political field actors at EEHC and organisational executives created operational power towards the change.

The culture was another powerful device that played a significant role in Meedco during the process of cost management change (Dillard et al., 2004). Being a former branch of Philips Ltd, Meedco had experience in performance and cost management at the organisational level before the implementation of the ERP. This previous experience and accounting culture played a supportive role in facilitating the costing change and implementation of new cost management regime. The particular culture of Meedco's leadership that is close to Egyptian military culture supported the accounting change. The cultural background of Meedco and its sub-departments helped the organisation to act in line with the political reforms that occurred at the levels of the state and the economy - such as privatisation and re-privatisation.

From a critical approach, the military culture of the board director has caused a 'culture of fear' and operational tension. The board director likes to regulate and manage 'everything'. The executive managers are unable to make even the simple decisions, without referring to the board director who created a culture of fear amongst the employees. This is causing enormous tension within various operating sectors on ERP-based cost management practices. As observed:

- Meedco has accepted the change imposed by its political management and the field actors for legitimation and the need to secure financial support from the EEHC, especially after the failure of its re-privatisation and the subsequent negative effects on its trade name in the electricity market. However, internal conflicts were observed between the finance department and other operational departments due to the fact that the ERP technologies have not been fully implemented in the whole company.

- The operational tension between the finance department and the board director was due to the fact that the board director has not been persuaded of the importance of encouraging employees to implement the ERP by using employee promotion schemes and a financial bonus paid every three months. At the beginning of ERP implementation, senior management rewarded the employees who participated in putting the data into the system through a financial bonus paid every three months. But after the installation of the system and it became the fundamental part of day-to-day routines for employees, the board director stopped this bonus for several reasons. Firstly, it only included departments operating through ERP. Secondly, the improper inclusion of some employees from departments not implementing ERP on these bonuses sheets. Thirdly, because of the nature of some employees' work in the firm, e.g., inventory personnel, they were not required to use the system. Those employees were unfairly deprived of these bonuses.

- The board director was not convinced of the

importance of putting other departments into the ERP programme although they shape the 'heart' of the company. They embrace a lot of day-to-day and periodic operating activities and processes. This caused huge operating problems between these departments and departments operating through ERP, especially the finance department.

- Senior management did not impose its authority on managers to fully implement ERP. The senior managers asked the IT manager to persuade employees of the importance of these programmes for the firm. In turn, the IT manager spoke to the employees once or twice. Employees that were persuaded to implement ERP started to do it while others argued to the contrary. The IT manager could not impose his opinion on other managers in the company. As explained before, such a matter needs a decision of the board director.

Our findings are consistent with Dillard et al.'s (2004) argument that a new organisational culture - in this case, the military culture - is the main foundation of leadership power - here, the power of the board director. Wickramasinghe and Hopper (2005), for example, explore how management accounting rules and routines support the change process by providing the power to define the norms and standards that shape organisational behaviour. It also has the power to demarcate suitable forms of structure and policy that run unquestioned over time. A significant element of this process is located in meanings and values (Alawattage and Wickramasinghe, 2008). This is consistent with Dillard et al. (2004), who argue that the encoding process draws on the taken-for-granted assumptions, which comprise the institutional principles, through their instantiation in existing meanings, values, and power.

6. CONCLUSIONS

The aim of this study was to analyse how macro political ideologies shape the implementation of cost management strategies at an organisational level during re-privatisation a public sector organisation co-owned by the Egyptian government. The study used the institutional theoretical framework suggested by Dillard et al. (2004) as a conceptual starting point to conduct an extended case study in a state-owned enterprise, referred to as Meedco, from 2013 to 2014. Meedco has held a dominant position in the electricity and energy market of Egypt since the 1950s national revolution. Data was based on semi-structured interviews, field observations, document analysis and continuous interactions with key informants.

Findings show that the political ideologies of the Egyptian governments have had a negative impact on managerial leadership and the performance of Meedco over the years. For example, senior management of Meedco is dominated by military elites who have used the military power of the ruling political regime to implement macro political policy change in Meedco. Meedco became semi-nationalised in the 1950s until the political revolution in the late 1980s that ended nationalisation and started privatising public sector organisations in Egypt. The government's attempt to privatise Meedco in the early 1990s failed, however, because Meedco had suffered record financial losses over the years and its expected

future profitability was not reliable. Failure to privatise Meedco led to the transference of the ownership and supervision of Meedco to the Egyptian Electricity Holding Company (EEHC) under the control of the Ministry of Electricity and Energy in 1991.

In practice, this structural change meant that Meedco became a minefield of political power, and managerial tensions arose in the setting of priorities over the operative strategies of Meedco. The increasingly aggressive policies of the state against foreign direct investment in Egypt in the 1990s, the decreasing profitability of Meedco and a lack of mechanisms to evaluate Meedco's assets at a fair market value led to the second failure to re-privatise Meedco and complete the withdrawal of Philips Ltd. as co-owner of Meedco, from the Egyptian market in the late 1990s. In setting priorities, Meedco's leadership and the Egyptian government initiated a number of managerial and operational reforms in Meedco. The reform initiatives aimed to improve the financial and non-financial performance of Meedco as expected by the Egyptian government in its cooperation framework with the EU commission. The military manner of implementing the reforms in Meedco succeeded in implementing product diversification strategies, geographical market segmentation and an integrated ERP system in different branches of Meedco across the country. Many of Meedco's employees resisted implementing ERP, however, because they had no financial incentive or managerial pressure to do so.

The findings of our case study show the relevance of using the institutional theoretical

framework suggested by Dillard et al. (2004) in analysing relationships between macro political ideologies, such as military dictatorship, nationalisation, privatisation and re-privatisation, and micro organisational change policies involving politicians and private sector investors at organisational field levels, such as, Philips Ltd, the EEHC and the Egyptian Ministry of Electricity and Energy. The findings contribute to recent studies of privatisation and management accounting change in public sector organisations (Agrizzia and Sian, 2015; Chang, 2015; Robert and Warwick, 2015; Sharma and Lawrence, 2015; Noguchi et al., 2015) and add a re-privatisation perspective. The main theoretical contribution is to show the relevance of cost management strategies when used to achieve a business goal, such as organisational performance, in a public sector organisation dominated by political power and military ideology at different hierarchical levels.

The implication is that practitioners and policymakers should avoid using the macro-political power and policies of the state arbitrarily when implementing management accounting strategies to achieve a business goal, such as in the case of the re-privatisation of Meedco. As in any other case study, however, the findings of this study do not necessarily apply to any organisation other than the organisation analysed. Further research is needed to analyse inter-organisational strategies to implement ERP in all branches of Meedco and to use ERP performance metrics in designing managerial compensation packages at different hierarchical levels.

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