Actor-network, external institutionalism and management control systems in a state-owned commercial bank

Tharusha N Gooneratne
Department of Accounting, Faculty of Management and Finance,
University of Colombo, Colombo 3, Sri Lanka
Email: tharushang@yahoo.com

Zahirul Hoque*
La Trobe Business School, Department of Accounting,
Faculty of Business, Economics and Law, La Trobe University,
Bundoora, Australia
E-mail: z.hoque@latrobe.edu.au

***Corresponding author**

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ABSTRACT

This paper reports on a case study to show how control is exercised and achieved via budgeting in a state-owned commercial bank drawn from the Sri Lankan context for illustrative purposes. Drawing on actor-network theory (ANT) and new institutional sociology (NIS) in tandem, we examine human and non-human actors in action and trace their interconnections, alongside external institutional forces that may shape management control practices in the case bank. The study deployed the qualitative case study approach using face-to-face interviews with key personnel at various hierarchical levels, personal observations, and archival records. The study exhibits that the design, operation and use of budgetary control systems get attuned to the heterogeneity of key actors' interests, external institutional forces, and the complexity of the institutional setting. Although the paper is based on a single case study it contributes to the management accounting literature through the development of a better understanding of management control in action by combining actors' engagement with broader institutional concerns. The paper illustrates how the dual theories, ANT and NIS could be meaningfully brought together to offer wider insights into the dynamics of management control in the banking setting.

Keywords: Management control; budgeting; actor-network theory; new institutional sociology; commercial banks

Introduction

"I argue that given recent efforts by institutionalists to account for actors and practice diversity, there is an important opportunity for dialogue with practice theorists, such as those drawing on Actor Network Theory, and the creation of a more comprehensive approach to the study of practice that attends to both institutional and micro-processual dynamics" (Lounsbury, 2008, p. 349). Drawing on this notion of theoretical integration, we investigate how a state-owned commercial bank's management control systems (MCS) practice is shaped by both "institutional and micro-processual dynamics" (Lounsbury, 2008, p. 349). Prior management accounting research has not systematically examined this phenomenon. Following Lounsbury (2008), we contribute to the management accounting literature by demonstrating how NIS (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) could be better integrated with ANT (Callon, 1986, Latour, 1987, 1999, 2005; Law, 1992) for developing a wider understanding of an organizational phenomenon. The importance of the complementariness of multiple theories or theoretical triangulation in developing a holistic analysis of MCS practice is well documented in a recent paper by Hoque, Covaleski, and Gooneratne (2013). A stream of insightful studies have also been published in various accounting journals on issues surrounding theoretical triangulation (for example, see Berry, Loughton, & Otley, 1991; Covaleski, Dirsmith, & Samuel, 1996; Hopper & Hoque, 2006; Hoque & Hopper, 1994; Hopper & Major, 2007; Modell, 2005).

"Every criticism of traditional budgeting is undoubtedly correct: it is incremental rather than comprehensive; it fragments decisions, usually making them piece meal; it is heavily historical, looking backward more than forward; it is indifferent about objective. Why, then has traditional budgeting lasted so long? My answer is: because it has the virtues of its own defects" (Wildavsky, 1986, p. 327). Budgeting has thus been ingrained as the most prevalent form of organizational control systems (Libby & Lindsay, 2010; Otley, 1994). Nevertheless, contemporary organizations have been forced to revisit their control practices given a number of new challenges faced, including increased competition, technological advancements, and changes in operational processes and varying customer needs. In response to this challenging environment, while some have initiated improvements to traditional budgeting (Neely, Bourne, & Adams, 2003), others have imported 'new' control practices such as the Balanced Scorecard (BSC) approach to performance management (Kaplan & Norton, 1996, 2001). The case bank presented here has opted for the former. Consequently, its management control is primarily composed of a conventional budgetary control system which has progressed overtime.

In terms of prior management control research there appears to be a dearth in service sector (and also banking) based studies compared to the manufacturing sector. However, the service sector entails economic significance via the contribution to the Gross Domestic Product (GDP) and employment. Within the service sector, the banking industry is an important constitution, and an interesting segment for exploring MCS.

A number of accounting studies have been founded upon management control in the banking arena (see for example Berry et al., 1991; Cobb, Helliar, & Innes, 1995; Davis & Albright, 2004; Euske & Riccaboni, 1999; Helliar, Cobb, & Innes, 2002; Hussain & Hoque, 2002; Munir, Baird, & Perera, 2013; Norris, 2002; Soin, Seal, & Cullen, 2002). Although the issues explored, theories and methodologies deployed and settings located differ, they share a commonality by placing control issues of banks in the foreground. While engaging in a state-of-the-art review of this literature is not the intention here for reasons of space, the aim is to flesh out an under explored issue in the sphere of banking.

As for topics under inquiry, performance measurement has received considerable research interest (Hussain & Hoque, 2002; Ittner, Larker, and Randall, 2003; Munir et al., 2013). Founded on four Japanese banks, Hussain and Hoque (2002) conclude that several institutional forces influenced the banks to implement a particular performance measurement system. The survey study of Ittner et al. (2003) explored the performance implications of strategic performance measurement. The recent case study of Munir et al. (2013) explored performance measurement system change in an emergent economy bank (in Pakistani) identifying institutional factors that necessitate change (motivators), initiate change (catalysts) and the prevailing conditions required to support change (facilitators). Management accounting change too has been a theme of research for several writers (Cobb et al. 1995; Guerreiro, Pereira, & Frezatti, 2006). In another paper, Berry et al. (1991) examined the processes of control within a UK based bank branch; while Norris (2002) founded on two British banks investigated the introduction and use of activity based information rather than management control *per se.*

Theoretically, contingency theory has been a popular option for most prior studies in the banking sector (Davis & Albright, 2004; Ittner et al., 2003). Another strand of research has departed from the orthodox mainstream positivism enabling an 'alternative' perspective by recognizing various forces instrumental in shaping control practices. Despite such receptiveness towards sociological theories, this has been largely confined to different strands of institutional theory (Euske & Riccaboni, 1999; Hussain & Hoque, 2002; Soin et al., 2002; Guerreiro et al., 2006). Besides, so far there has been little engagement in the prior literature to move beyond to explore the possibility of integrating theories (with the exception of Berry et al., 1991, which applies multiple theories, although within the functionalism perspective).

While respecting this array of studies it is still possible to locate fertile areas for research. For instance, how the design, operation and use of management control gets intertwined amid external institutional forces and internal organizational actors' deliberations has not been the focus of prior research. However, exploring how these dual aspects affect control systems is important as real-life organizations are faced with a multitude influences, both externally and internally. This paper unfolds the design and operation of management control in a Sri Lankan state-owned commercial bank (hereafter Alpha) by illuminating how actions of various actors are implicated by their relationships with control systems, and how these practices get attuned to external institutional pressures. It probes into the variation in understanding on management control by looking from the worldview of various organizational actors in different levels (branch, region, departmental and organizational level), which has not been the interest of past researchers. This study is thus envisaged to fill a gap in research and contribute to the literature by focusing on two major questions:

> *RQ1: How was control exercised in the bank using budgeting as the key management control device?*
>
> *RQ2: How did internal organizational actors and external institutional forces shape the bank's budgetary practices?*

The rest of the paper follows this broad structure: sections two and three outline the theoretical orientation and the research methods, respectively. To place the discussion on management control in context, an overview of the research setting is offered in section four. Foregrounding empirical data, section five describes and interprets its MCS (the budgetary control system) covering the design, operation and uses. Section six presents a discussion of the findings and concludes.

Theoretical lens

This paper primarily draws on ANT (Latour, 1987; 1999; 2005; Law, 1992), more specifically Callon's (1986) 'Sociology of Translation'. From the purview of ANT, a network refers to a relational web of people and resources around knowledge claims (Callon, 1986). Such knowledge claims (for instance, on budgetary control) become widely accepted and taken-for-granted when they are supported by solid networks. The notions of *problematization*, *interessement*, *enrolment* and *translation* are central to ANT (Callon, 1986). Problematization is where a focal actor structures the problem in its own terms, identifies other relevant actors and highlights how the problem affects the other actors. Interessement refers to the actions of getting the actors interested, convincing them, and negotiating the terms of their involvement (enrolment). This involves distribution of roles by an actor-world, wherein the actors in the network accept (become aligned to) the roles defined to them during interessement. Translation implies the means by which an actor enrolls others as the creation of an actor-network, entailing attempts by innovators to form a forum, a central network in which all the actors agree that the network is worth building and defending. It involves creating a temporary social order. Problematization, interessement and enrolment are viewed as three major stages of the translation process (Callon, 1986). A key tenet of ANT is that an actor-network contains not merely human, but objects and organizations (non-human) together forming a heterogeneous network of aligned interests. As all views of actors are infected by interests (Lee & Hassard, 1999), actors try to convince others to create an alignment between their interests. Other actors will be enrolled in a network if they perceive that their interests align with others within it (Latour, 1987).

Several researchers using ANT demonstrate how organizational actors build networks in shaping management control practices (see for example Ahrens & Chapman, 2007; Alcouffe, Berland, & Levant, 2008; Briers & Chua, 2001; Chua, 1995; Emsley, 2008; Gendron, Cooper, & Townley, 2007 among others). With researchers striving to extend its application beyond its field of origin, ANT is considered an avenue for interpretive case studies in understanding management accounting issues (Wickramasinghe & Alawattage, 2007). Besides, Ahrens and Chapman (2007, p. 7) asserted that "ANT has made an important contribution to the theorizing of practice in management accounting". By synchronizing the heterogeneous interests of diverse actors, ANT helps explaining how actors, their actions and the networks formed give rise to particular modes of management control. Grounded in the subjective interpretations of actors, ANT provided important explanatory power for the current study by exploring how actor-networks were formed, held themselves together or fell apart, thus indicating the extent of sustainability of the control practices. To explain, ANT brings to light how MCS are diffused and sustained in organizations by following the people initiating, promoting and opposing them. Within organizations, the actions of some actors would appear significant, as MCS are pushed and pulled by actors who interrelate with each other and constitute a collective network, continuously developing their relationship in the network. As ANT entails the idea of close engagement of actors and their world views, it captures possible multiple interpretations or different views of reality from a wide range of actors involved in management control practice. Seen from the purview of ANT, this study explores the following question:

> *To what extent did organizational actors develop a network in translating a particular form of MCS in the operation of the organization?*

To address this issue, we propose that certain actors problematize the need for budgetary controls and strive to enroll other actors across various layers of management, in order to translate others' interests in the budgeting process through various interessement devices. The budgeting network is therefore deemed to be a result of the interactions between an array of human and non-human actors, who form a heterogeneous network of allied interests.

As discussed above, alongside ANT, additional insights are also drawn from NIS. NIS illustrates how external institutions (DiMaggio & Powell, 1983) may force an organization to adopt specific procedures, and how organizations embark on particular activities in order to gain external legitimacy. As claimed elsewhere (e.g. Ansari & Euske, 1987; Carpenter & Feroz, 1992, 2001; Hoque & Hopper, 1994), for a public sector entity various external institutional forces such as regulatory bodies and funding agencies may also influence the budgeting process. Institutional theorists (e.g. DiMaggio & Powell, 1983; Meyer & Rowan, 1977) have suggested that organizations are embedded within inter-organizational and cultural systems, and to survive and prosper within such larger environments conformity to external expectations is vital in portraying social and economic fitness of the organization (Carpenter & Feroz, 2001). Organizations therefore tend to incorporate institutionally favored characteristics with a view to being judged as legitimate by external constituents (Dacin, 1997). MCS of an organization may be seen as a legitimizing exercise regarding appropriate management accounting practice (Cavalluzzo & Ittner, 2004). Conformity to accepted practices and external requirements, such as through accounting practice, can be particularly visible in government organizations, whose existence depends primarily on the support of external constituents and secondarily on actual performance (Gupta, Dirsmith, & Fogarty, 1994; Scott, 1987). Prior public sector accounting studies have reported that government organizations predominantly implement budgeting and cost accounting systems to meet external requirements, with little use of the systems for internal purposes (see Ansari & Euske, 1987; Berry et al., 1985; Covaleski, Dirsmith, & Jablonsky, 1985; Covaleski & Dirsmith, 1983, 1988a, 1988b, 1991; Covaleski, Dirsmith, & Michelman,1993; Geiger & Ittner, 1996). Baxter and Chua (2003) remarked that when viewed from an institutional theory perspective, the environment of an organization is multi-faceted, as besides the technical environment, various institutional environments exist, such as legal, professional, and regulatory environments.

Scott (2008), while identifying three pillars of institutions such as regulative, normative and cultural-cognitive systems, suggests that no organization can be properly understood independent of its wider social and cultural context, which constrains as well as supports its operations. While this signals the usefulness of NIS in exploring accounting issues in organizations in general, the need for public sector organizations to demonstrate accountability, and the use of accounting as a medium to legitimize operations, could be a possible explanation for its more prominent presence in public sector studies. In contrast, in the private sector market forces prevail, and action would be directed towards profit maximization (internally) rather than towards external legitimacy. In terms of the current study, the foregoing discussion raised the following question viewed from a NIS perspective:

To what extent did external institutions exert influence on the development and operation of MCS in organizations?

Based on the above theoretical and empirical arguments, we discern that drawing insights from ANT and NIS in tandem to be meaningful as they are inter-related and complement each other, and provide a useful lens for studying organizational practices such as management accounting. The external pressures identified through NIS are interpreted, given meaning and responded to in diverse ways by organizational actors. Actors are not passive, instead make choices in their interpretations of meanings, perceive the meanings of institutions, and infuse their actions with meaning based upon these perceptions (Zilber, 2002). Ideologies and reactions of key actors and external pressures are interwoven, thus the insights offered through these dual theories are highly interrelated. Therefore the micro explanations of ANT encompassing internal processual dynamics such as interests of actors and power issues need to be thus explored concurrently and integrated with the macro focus of NIS, which is claimed as a theory of 'coercive' isomorphism (Lounsbury, 2008; Moll, Burns, & Major, 2006). Employing the dual theories of ANT and NIS in making sense of the field data, as done in the present study fulfills this need.

Research method

This paper adopts the qualitative case study methodology (Mason, 2002; Silverman, 2000; Yin, 2003), premised on the belief that reality (about MCS) is a socially constructed phenomenon through human interactions (Burrell & Morgan, 1979: Hopper & Powell, 1985), and subject to wider social, economic and political pressures, which cannot be seen as a technical rational activity divorced from the broader societal relationships, actions of actors and other forces.

Given this theoretical orientation, the data collection in this study involved two phases: a pilot study conducted in February to March 2009, with a broad scope to enable obtaining some background information and a general understanding of the research site and its practices; main study carried out in June to August 2009, for more focused exploration of its management control practices (budgeting). Given that no single source has a complete advantage over all others; this research involves triangulation of data collection (Jick, 1979; Patton, 1990; Yin, 2003). It utilized multiple sources such as interviews with key officials and documentary review made possible through several visits to the head office, some branches and departments of the bank.

The main mode was in-depth interviews conducted in the open ended fashion. A series of interviews were carried out with officials representing different levels of management and diverse functional areas of the bank as a means of obtaining a personal perspective on the bank's management control practices, and to understand the variation in terms of its functioning. Appendix A presents the profile of interviewees. Thirty-one interviews, each ranging between 30 minutes to two hours was conducted, 11 during the pilot phase and 20 in the main phase. Out of this, 28 were tape-recorded, in the balance three, extensive notes were taken down during the interview, and then transferred into a 'Microsoft word' document on the same day evening All interviews were later transcribed for subsequent analysis, where we reconstructed the story of budgetary control in the bank largely through the words of various interviewees, using illustrative quotes to demonstrate our points. Four in-depth interviews were also conducted with some key officials representing external institutions such as Central Bank of Sri Lanka (the regulator of commercial banks) and Institute of Bankers of Sri Lanka (statutory body established by an act of parliament to provide tuition, conduct training and examinations and issue certificates for bankers).

Interview data was supplemented by various related published material and internal records, ranging from annual reports (2004 – 2009) and web pages of the bank and press releases to an array of internal documents. Perusal of such documentation enabled in identifying any disparity with interview data and to assess as to what extent the "official" documents reflect the actual practice.

Following Silverman (2001), in achieving validity and reliability in our field research, we undertook a number of attempts. First, an interview guide was formulated with some open ended questions covering broad areas of interest, and later as the study progressed, in the main study these interview questions were continually refined to capture the emerging issues at site. Second, a significant amount of time (over 35 hours) was spent on conducting field interviews. Third, multiple methods encompassing in-depth interviews, documentary review and observation were utilized in gathering data to ascertain whether they corroborate each other and to resolve contradictions. Fourth, cordial relations were maintained with all interviewees assuring confidentiality of data. Fifth, the data collection process was systematically done, whenever possible interviews were voice recorded and carefully transcribed and field notes maintained. Sixth, at the data analysis stage, following Ahrens and Chapman (2006) constant iteration between theory and data was ensured continually moving back and forth and considering competing explanations. Finally, as a means of respondent validation (Scapens, 1990; Yin, 2003), key organizational members were presented with a summary of case findings to confirm our interpretations of the phenomenon.

The research site: Bank Alpha

Licensed commercial banks are the largest sub-sector, within the financial services sector in Sri Lanka. Although a high number of commercial banks (22 in number) compete in a small market of 20 million people, only the six largest (two public and four private banks) have made their presence across the entire nation. The bank under study falls into this category.

Bank Alpha[1] was established several decades ago as one of the first banks in the country. Virtually from no competition it moved to a regime of intense competition with many new entrants making their presence in the industry, following the country shifting into an open market policy in 1977. In response since the early 1980s the bank was seen to be more 'customer and profit oriented' and striving to align itself to the emerging competitive environment by restructuring its operations, embarking on computerization, increasing the branch network, introducing a variety of products and services, and in the accounting front, a gradual move towards budgeting. Market competition thus acted as an impetus for budgeting. Taking such steps, in the eyes of the senior management helped to streamline operations, improve competitiveness, create a commercial outlook, and enhance its legitimacy. It is now a diversified financial services organization providing a broad range of banking products to a varied portfolio of customers encompassing retail, corporate and the government of Sri Lanka.

Operationally, as at 31st December 2009, it had Rs.538,241 million (USD 4,849 million) assets, and its total income stood at Rs.63,461 million (USD 572 million). The profit before tax

[1] Pseudonym.

for the same period amounted to Rs.4,208 million (USD 38 million), and profit after tax was Rs.3,084 million (USD 28 million). Over the recent past it has made significant progress in its performance, as shown in Table 1.[2]

Insert table 1 here

As a wholly state-owned banking corporation, Bank Alpha's board consists of six directors, and the chairman, who is appointed by the Ministry of Finance. In keeping with the board-approved promotional / recruitment schemes, the Board of Directors appoints the corporate management personnel. The corporate management is headed by the General Manager (GM), and comprises DGMs,[3] the CFO, the Chief Risk Officer (CRO) and the Chief Legal Officer (CLO) (Bank Alpha Annual Report, 2009). Corporate management is assisted by the executive management team consisting of AGMs and several subordinate staff, such as chief managers, senior managers, managers, executive officers, management trainees, junior executives and clerical staff. Figure1 presents the organizational structure of the bank as at 31st December 2009.

Insert figure 1 here

Findings

The first part of this section elaborates the internal dynamics of the translation process of the budgetary practice, including the process, design and operational issues; the second and third parts illuminate external legitimacy uses of budgets, respectively.

Translation of the budgetary process

Bank Alpha exhibits a formal budgetary control system. Review of yearly budgets, corporate plans and strategy documents revealed that it prepares an annual budget and a three-year corporate plan encompassing financial targets and budget strategy for the year and financial projections for the next three years. Within this, forecast key performance indicators (KPIs), key financial projections, details of the national (country) budget and its impact on the bank, cadre projections and the expenditure budget occupy a prominent position. As explained by members of Finance and Planning, it is typical for the budget process to commence July each year. The final budget is due for submission for board approval by November, and the distribution to the business units is expected to be done by 31st December. The current process is shown in Figure 2.

Insert figure 2 here

The bank's planning documents have been further developed in preparation of the 2009 budget, subsequent to the current DGM–Finance and Planning and the Budgetary Control Manager assuming duties. The Budgetary Control Manager[4] remarked:

> When we are moving from 2008 budget to 2009 budget, 2009 budget is far more comprehensive. Now there is a lot that we can go in and explore. Having the action plan with the input and output, and that output becoming the next input etc., we applied for the

[2] USD equivalents obtained from http://www.oanda.com/currency/converter/ as per exchange rates prevailing at the end of each year.

[3] As at 31st December 2009, one senior DGM and eight DGMs were part of corporate management.

[4] Interview conducted on 14th August 2009.

> 2009 budget. We wanted to develop a strategy and formulate an action plan on how we should do rather than just doing. We read different things, we looked at our own procedures, we looked at how other organizations are doing, and we talked to people. Then we came to this process as what is suitable to us. We at Finance and Planning prepared this.

A salient feature of these 'improved' budget documents is that they clearly outline the task, 'process step' as the bank calls it, inputs to and outputs from the task, personnel responsible, and the time frame. Interviewees believed that the bank has undertaken these multi-tasks with the aim of formulating a sound budgeting system. Nevertheless, given the sheer size and other practical constraints, to what extent the bank can adhere to such procedures is questionable. The rest of this section sheds light on this by observing budgetary control in action probing into how the Board of Directors' aspirations are translated down the hierarchy, the actions of Finance and Planning and how other actors are enrolled in the budgeting network.

Setting direction: Translation of Board of Director's aspirations down the hierarchy

Bank Alpha's operational management is organized in five divisions, each headed by a DGM; they are (a) the branch network, (b) corporate segment, (c) international and treasury, (d) loan recovery, and (e) central administration (the head office building and the 42 cost centers, including human resource (HR), marketing, and accounting are categorized within it). Figure 3 demonstrates how the Board of Directors' aspirations are translated through the corporate budget to the five DGM units to develop the bank's consolidated budget.

Insert figure 3 here

Through discussion between members of the board and the corporate management a decision is made on 'where the bank wants to be' in the coming year, taking into account its vision, objectives, previous years' performance and the external business environment. This then gets connected to the corporate / strategic plan, from which the corporate budget is derived. Depending on the place and conditions opportunities will differ, thus capturing these differences, the top management's aspirations for the overall growth and performance of the bank are cascaded down to the branches / units. As a prerequisite, the head of research prepares a forecast picture on the macro-environmental front encapsulating the global economic situation, the Sri Lankan economy, government influences, significant events in the banking industry, peer banks, a central bank road map together with the trends in the bank, policy level expectations by the government, past growth trends for the bank and industry, bank's past performance, and new business potentials , are conveyed to the DGMs, who each then decide on the growth rate in their respective areas. This forms the basis for discussion in deciding the total growth for the bank. At the hub of budgetary control interactions is the Finance and Planning Division located in the head office. This is elaborated upon next.

Actions of the Finance and Planning Division: Coordination and control

Budgeting forms a vital function of the Finance and Planning division. However, whether it either coordinates or controls the process is open to question. The account below attempts to illuminate this concern.

DGM–Finance and Planning heads the entire division, while AGM-Budget and Strategic Planning heads the budgetary control division, a sub-unit within Finance and Planning, focusing especially on corporate planning and budgetary control activities. After the present DGM took office, the position of Budgetary Control Manager was created, whose prime function as spelt out in the position description was "developing, implementing and controlling the bank's budgetary control function".

The Finance and Planning Division conveys the board's aspirations for expected growth for the budget year and the level of achievement of the individual units / branches in the previous year to help the functional units and branches to initiate their budgets. They also provide guidelines and organize budget awareness programs for managerial and other staff members at head office, provinces, areas and branches.

Branches / units are given deadlines for submitting their draft budgets to the Finance and Planning division at the head office for overall consolidation. Such budget proposals are then revised through several rounds of discussions between the management and business units / branches to accommodate the Board of Directors' recommendations. Once agreed upon, the budget is forwarded for board approval. Following this route, it is typical for the budget to be approved in December. Thereafter the task at hand for Finance and Planning is to circulate the budget to all business units by 31st December, given that the budget year runs from January to December.

As a senior member of the division[5] noted the final targets communicated after board approval would subsequently be subject to a series of revisions deemed reasonable to be on par with the national budget, accepted notions of the corporate budget, also taking into account resource availability and past performance. A key official from the Finance and Planning team[6] spelt this out:

> We can't just accept the branch budget. We have to fall in line with government expectation and we may need larger volumes. So sometimes after review and board approval a completely different budget is sent to the branches.

Mindful of the head office's tendency to elevate targets, managers submitted modest figures, despite having the potential to do better. An area manager expressed:

> Head office will increase; we have not seen head office reducing targets. That is good also. Otherwise branch managers will just sit on that level, without taking an effort, because there is a natural growth also, even that sometimes can be 10%.

The tension between branch managers' desire to play safe and top management's desire for higher performance was also illustrated in the following branch manager's comment:

> Branches always go by numbers comfortable. But management presses for higher targets, by looking at the overall economy. Now the trend in the East and North is different, sectors like tourism will grow. So head office will have high expectations, but the branches want to limit to their immediate environment.

[5] Interview conducted on 1st July 2009.

[6] Interview conducted on 14th August 2009.

In essence, what gets imposed is the budget distributed from the head office not that initiated at the branch. To what extent that budget is realistic from the point of view of the branches is dubious. If a branch cannot achieve the targets its manager becomes a failure, theoretically adversely affecting his performance appraisals. In practice, as no specific rewards or punishments are linked to budget achievement, the severity of such deficiencies is minimized. A further consequence of this head-office-led budgeting system is that branches pay scant attention, knowing that Finance and Planning will attend to it anyway. While it may appear that the process is under the control of Finance and Planning, an interviewee from the division claimed otherwise, highlighting their coordination role instead:

> We are the coordinators of the bank budget. We do the coordination and overall guiding. But the responsibility for the individual budgets is with the business units. We communicate the bank budget and business unit budgets to each other.

Many interviewees reflected on the prominent role of the Finance and Planning Division and that of AGM-Budget and Strategic Planning in particular, in relation to budgeting. This is evident from the own words of the AGM:

> I don't want to talk about me, but why the management has not got services of consultants to the accounting area may be because they are satisfied with my role. I am not getting a transfer from here also.

The role of Finance and Planning Division may be interpreted by one either as coordination or control. Rather than engaging in this debate, this issue is taken further in the next section by illustrating that the approved budget is not the creation of that division alone, and that an assortment of actors contributes towards it, in varying degrees.

Enrolling other actors to the budgeting network

Although Bank Alpha's budgeting system is centralized in the hands of the Finance and Planning Division, the preliminary budget proposals are initiated at the grass-roots level (such as from the branches) and submitted to Finance and Planning through the relevant area manager, provincial office and DGM division. As the need arises to balance the deposits and advances of the bank as a whole, the budget proposals of units are subjected to modifications by head office and the final set budget turns out to be rather different. Against this backdrop, others contributed to the process differently.

As revealed through organizational records and interview data a province is headed by an AGM. The operations manager and area manager/s report to the AGM. Branch managers report to an area manager; who plays a coordinating role in the budgeting process between head office and the branches. The usual tasks of an area manager extend from overseeing credit control to mobilization of deposits, to business promotion and marketing of the branches under his / her purview. As one manager commented, "We are responsible for everything in the branch". Thus, although budget preparation is important, neither sufficient time nor effort gets assigned to it from these two groups. A typical response from a branch manager was, "budget papers must be in the file, branch people don't look at it. There are so many burning issues to attend to".

In budget preparation the necessary data is collected by the branches, and the area manager's involvement is limited to directing branch managers in arriving at this draft budget. At the branch level it is expected that some amount of outside research is done to capture local conditions and to project future new businesses, rather than, merely 'adding something' onto historical figures. Although this is the desired state, actual practice varies at times, as a senior member from Finance and Planning[7] commented:

> We initially get the budget from the branches. It does not happen like that always; sometimes it can be other way also. If the branch people are not capable enough, it can be prepared by the head office and converted to the branch.

Acknowledging the availability of local information at the branch level, he continued:

> We can get some idea from the budget send by the branch because if you take the southern province if they have any opportunities they only know that first hand. How much we can give for the fisheries activities they have the information. In the mid-country also there may be some projects that we do not know here, so that information we get from them, and then we prepare the consolidated budget.

An area manager contributed to the point:

> What is expected from the branches is at the ground level to study the resources in the area, analyze and prepare the budget. Each branch situation head office does not know. In a big organization like this a person at the head office cannot see the ground level; they will not know the individual branch's position. That is natural.

As a branch manager is acquainted with the area, getting his / her input would contribute to a better budget, but to what extent they capitalize on such information is questionable. A member of the budget division took the view that in budget preparation branch managers depend greatly on the previous year's forecasts rather than exploring new businesses avenues and other market information. He said, "If you take a ratio they may use 70% from previous year data, and 30% from new businesses and other information they got from the market". An area manager[8] subscribed to the view:

> First the branch manager according to his own projection has to say how much he can go. But based on the level of his professional knowledge the result would be different. Most are used to taking some kind of a parameter, maybe plus 10% of the previous year, and just put the figures for income and expenses.

Elaborating upon what happens next, two area managers testified:

[7] Interview conducted on 1st July 2009.

[8] Interview conducted on 30th July 2009.

> When the area manager gets the branch budgets he can modify it; it can be done, it should be done, but practically it is not like that. What is received is just clipped and sent. One [factor] is time and also whether the area managers are competent enough to review is also an issue. So there is a group who does it and who don't.
>
> (Interviewee one)

> We talk about zero-based budgeting, but it won't happen that way here. We don't have much knowledge on doing budgets. So when reviewing always we look at this year July and last year July.
>
> (Interviewee two)

Many interviewees at branch and area levels expressed similar thoughts. Despite a comprehensive budgeting system being in place, comments from area / branch managers implied that budgeting was the province of Finance and Planning and that it did not have much bearing on their work. Some reinforced that lack of financial knowledge placed strains on full participation in the process, and others used time constraints as a reason for their faint interest. One area manager described:

> We have seen through our experience unfortunately branch managers' personal involvement to the budget is very low. That may be unawareness. If the manager is a person who has not studied this subject it is very unpleasant. Then chief clerk or someone who knows a bit of accounts in the branch prepares the budget. Then we cannot say that the budget is in good shape. Some document is done and sent.

A branch manager[9] noted:

> Actually when we work in a branch we don't have much time to devote to budget preparation because of operational matters. That is a practical difficulty. So we just make something just by adding a percentage to the previous year.

As the field data indicated, previous year's figures held significant meaning for managers in Bank Alpha who had neither budgeting expertise nor the time to devote to it. Interviewees nevertheless admitted an increased interest in budgeting over the years. Understandably, this idea was largely expressed by members of Finance and Planning. An interviewee from this division described how the notion of budgeting was spilled over to the branches, with an increased involvement from branch managers. He said:

> Still our branch level people are not 100% understood about the importance of the budget, but it is improving. Unlike those days now branches know that they have got a budget, they have to achieve it and they have to give explanations if there is a variance. Earlier these things were done only at the finance division. Finance people did the calculations, took the reason for the variances and reported to the board. Now it has gone to the branch level also, and the branch people are actively participating, they are trying to work on the budget targets. So preparation of budgets and giving targets is a very crucial thing in the bank now.

[9] Interview conducted on 7th August 2009.

It also became apparent from interviews that although the head office devoted much attention to budget preparation (through laid-down procedures and awareness programs), at the branch and area level the focus was on achieving targets and budget preparation was not a major concern. One manager said, “In branches we have still not moved on to preparing the next year’s budget. We are still running behind the current year targets, like reducing non-performing advances and increasing deposits”.

Illuminating how practical issues prevented budgets gaining priority at the branch level, a manager[10] observed that usually all the guidelines were received by the branches in December, and certain constraints prevented the preparation of a realistic budget. He explained, “December is a very busy month, it is the festive seasons and the year end, and if we have a shortfall in achieving our annual targets we focus on that. So we ignore making the budget and whatever the figures head office is requesting we just put”. This is, however, contrary to the words of a senior official in Finance and Planning, who in keeping with documentary records claimed that budget guidelines were communicated well in advance, and that the settled budget was distributed by year end to the relevant business units. Such discrepancies between the views expressed by different actors lead one to wonder whether the bank’s large size, long chains of command and bureaucratic procedures (being state-owned), handicap timely communication.

On a related note, despite formal evidence suggesting that the budgetary process was rational and equitable, certain interviewees claimed that this was not so and that the local realities at branches were different. One manager[11] reflected on a critical note. “We have no authority to participate in target setting. It is limited to few top people, DGMs and AGMs at the head office. They think they know everything”. Saying this, the same manager noted that despite his interest in coming up with a realistic budget capturing local conditions, such efforts became worthless as the approved budget was rather different. He voiced his displeasure with the system:

> We see our past three years’ performance, and our opportunities. In this area there are a lot of schools so we canvass children’s savings accounts. We think about competitors, there are about eight banks in the surrounding area. Based on those things we prepare our budget and give to our area office, they send it to the budget division at the head office. But finally when we get the approved budget there is a huge gap. Head office only thinks about their side, how to achieve the corporate budget. If they find that there will be a shortfall, they just distribute it among the branches without any consideration for the branch circumstances.

Subsequent to the preparation of branch level budgets, factoring in any business growth plans, functional divisions such as marketing, HR and other cost centers prepare their budgets. Interviewees explained that for instance when branches are given targets to increase deposits; it becomes necessary to allocate additional mobile vehicles, which may involve functional divisions, such as procurement to put forward their requirements. Ultimately a balancing figure is reached at the corporate level, based on the requirements of the functional divisions and what can be contributed based on resource availability.

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[10] Interview conducted on 6th August 2009.

[11] Interview conducted on 4th August 2009.

Actors at the functional level described how they attached meaning to budgets. One manger noted, "Making budgets is a problem because we have to give data". As some saw it, the inherent procedural nature of being a SOE and the complexities of government bureaucracy placed demands on budget preparation. An HR head explained:

> We estimate the cost of recruitment, promotion etc. for the next year and if we have new ideas to do something, in advance we make a provision in the budget. According to the procedures we have here, we can't purchase things at once. This is a state bank, and everything is big about this bank. To do anything it takes time.

On a positive note, another functional head described how gradually the interest on budgets had made a presence in the bank. She[12] said, "Those days' budget means just increasing by 10%. We put the same increase for all the items. Today it is not like that, the market changes are incorporated. Budget figures are more realistic". From the perspective of a senior official in operations, "budgeting is a routine thing. Once a year we have to prepare it". The head of marketing[13] pronounced her involvement stating, "Last year is taken as the base. Based on last year expenditure pattern and the requirements we have to fulfill during the particular year, we prepare the budget".

The above empirical evidence shows that Bank Alpha has a formal budgetary system, vested in the hands of the Finance and Planning Division, which has witnessed a favorable shift towards better budgeting over the years. However, the interest of area, branch managers and functional heads' was marginal, as for them banking operations and functional tasks took precedence over budgeting. They nevertheless complied with the head office requirements and submitted *something* as budget proposals.

Budgets for external legitimacy

Building upon NIS, we postulate that organizations often tend to use a budgetary control system to comply with external requirements such as government regulation and to meet community expectations in the society within which they function, as a means to justify and legitimize their activities to the external stakeholders.

As suggested elsewhere, budgets of state-owned organizations are closely tied to national development plans of the government (Wildavsky, 1975, 1979). Bank Alpha is included into this category. It demonstrates government influences in its budgeting activities in two forms. Firstly, before the preparation of the national budget, input is obtained from all large state sector departments (including banks) in the country, as per a prescribed format. In compliance with such requirements the bank needs to process budget information, as any proposals submitted needs to stem from its own plans. One AGM remarked in this regard. "We are a big state-owned organization, so our figures are important for the government to show to the IMF".[14]

Interviewee comments as well as documentary sources revealed that summary budget documents of the bank as per the prescribed format are forwarded to external bodies (linked to the government) such as the Central Bank of Sri Lanka (CBSL), Strategic Enterprise

[12] Interview conducted on 28th July 2009.

[13] Interview conducted on 3rd July 2009.

[14] International Monetary Fund

Management Agency (SEMA), the Ministry of Finance and the Auditor General. The information conveyed includes broader contextual data encompassing the global economy, its impact on the Sri Lankan economy and trends in the Sri Lankan banking industry, as well as more organization-specific information such as corporate level financial targets and budgeted financial statements.

Secondly, Bank Alpha is one of the main vehicles which carry out government strategies and development policies. It thus envisages compatibility with the country's national budget as a main concern. As one member of the Finance and Planning Division noted, "Some revisions are deemed necessary to our bank budget after the preparation of the national budget, this gives opportunities and poses challenges and threats".

As became evident in the course of the field work, Bank Alpha is expected to serve all sectors of the economy and take measures to improve the lives of the rural community (e.g. provide credit facilities at preferential rates to priority areas), finance agriculture-based industries, and formulate micro-credit schemes and sectoral development strategies. In the current scenario, supporting the government in the socio-economic revival of the newly liberalized north and east of the country is also a key concern for the bank (Bank Alpha Annual Report, 2008). One AGM stated:

> Our bank is a very big state-owned bank; so we have to do for nation building. Government expects us to move into north and east areas and establish branches. Earning profit plus we have to do our corporate social responsibilities (CSR).

Another interviewee shared this view, noting that: "now for north and east development we are opening lot of branches". An AGM added, "central bank has specially informed the state banks to open branches in the north-east areas". An annual report of Bank Alpha revealed that it has not only opened up branches in the north-east areas, but has also collaborated with provincial administration and the CBSL in formulating comprehensive development plans therein. This has implications for budgeting; as such plans in turn need to be incorporated to the bank budget.

As the sole shareholder, the government expects Bank Alpha to be economically efficient and profit making, while concurrently participating in national development plans. The overwhelming task of reconciling these conflicting aims was reflected in many interviewees' comments and successive annual reports. An official in the Finance and Planning Division explained how its national development efforts hinder profitability. He said, "Reported pre-tax profit for the year 2008 when adjusted for development activities and concessions given to the economy would increase by Rs. 2.5 million".[15] A member of the corporate management[16] took the view, "those kinds of contributions no private bank has done but in our case we have to do". A branch manager stated, "We can't only look at profits, we have to carry out government policy like loans for rural sector development, but sometimes recovery is very difficult with those". An AGM reinforced that not all decisions in the bank were taken on commercial grounds. He asserted:

[15] Equivalent to USD 22,521 based on exchange rates prevailed at the end of 2008.

[16] Interview conducted on 19th February 2009.

> When we are going to open a new branch of course strategy comes to play, we look at the volumes, traffic going through. But more than that, there are other reasons. A politician might say that I want a branch here. Some branch locations, commercially we should shut down but as a responsible government bank we can’t isolate the community. So we run them for the sake of the community.

A DGM added, “Our owner is the government, so we have to fulfill its requirements. Most of the facilities we have to grant to them are not profitable; we get a very low interest”. An AGM too recalled how the bank was compelled to make contributions in the name of social responsibility although not foreseeing a commercial benefit: “We have responsibilities towards the government. So our marketing allocations go for these social activities, but there is no marketing gain to us”. A Finance and Planning officer noted how these multiple government influences impact on budgeting:

> Government business is large and chunky, and we have to take the rubbish also, we cannot pick the jewels. We cannot say no when they borrow big money at low rates. They are also very demanding. As the owner who provided capital they want dividends, ok, but they want to do that, this, finance the SOEs and all the risky stuff, and we have to give a return also. So when we prepare our budget we have to consider all these things, government plans and make a profit.

These comments are indicative of how the bank discharges its broader responsibilities towards society as a state-owned bank, and how it uses the formal budget as a legitimizing tool to comply with external requirements.

Budgets for internal decision making at the top management level

Apart from this external role of budgeting, we also witnessed the use of budgeting for Alpha’s internal decision making processes. Members of the Finance and Planning Division explained that the bank’s budget review was done on a monthly as well as a quarterly basis by the head office, and monthly by the province office. A monthly performance report which carries the actual, budget and variance figures in terms of income, expenses, deposits and advances as well as the comparative and growth figures over the previous year is prepared by each province and forwarded to head office. To this end, as instructed by head office on a routine basis, branch managers submit performance figures through their area managers to the province office. Following the provincial report, at the corporate level, the Finance and Planning Division reports the actual, budget, variances and reasons for the variances in key financial figures to the Board of Directors on a monthly basis.

Consultation of relevant documents also revealed that an analysis of performance is reported quarterly to the board, which encompasses a comparison of key financial data, KPIs (all financial) vis-à-vis the budget as well as the previous year, explanations for variances and strategies to be adopted as corrective actions. It has also been a practice in the bank for the Finance and Planning Division to prepare a board paper on the expenditure budget on a quarterly basis, with a breakdown of the main expenditure categories (capital expenditure, staff welfare, staff training, research and development and advertising and promotion), in terms of actual, budget, noteworthy variances and explanations. Interviewees explained in all these reports, substantial departures from plan and anomalies in performance are shared with the corporate management and the executive management. Viewing them makes it possible to speedily detect variances over time and to take necessary action. An official from Finance and Planning illustrated:

> Non-performing advances is a crucial indicator for a bank. So if total non-performing advances go up our management asks explanation and tells us to see which branches have performed poorly. These branches are required to give reasons for their poor performance and future actions to fix the problems.

This array of budgetary reports thus aids planning and controlling decisions of corporate management, and directs branch managers towards providing customary budget reports to their superiors at the area and province levels to facilitate the corporate review. Such data also proves useful in resource allocation decisions, to identify profitable avenues and to channel resources to encouraging or discouraging certain products. As interviewees explained management not only looks at the total deposits and advances figures, but also their composition in terms of high cost versus low cost deposits and high yielding versus low yielding advances etc.

Budgetary information while being a basis for various managerial decisions, serves ex-post monitoring by measuring performance, comparing against established standards, noting deviations and prescribing corrective action. The budgeting system has been invaluable in assessing performance at the corporate and unit level, but not at the individual staff level. To what extent it entails a motivational drive for employees to perform is dubious, as currently neither financial incentives nor penalties are linked to budget targets. As a result, performance appraisal of individuals has turned out to be in name only, with marginal impact on promotions.

Further, interview data and documentary evidence showed that branch and area managers performed routine tasks, such as preparing budgetary variance reports as prescribed by the head office, 'just as a matter of formality'. A branch manager reflected on this issue thus: "In our work we mainly think about our operational matters, we don't really use budgetary reports. But head office informs us to send our monthly performance that of course we do. Thus budgets merely play ceremonial type roles at the practice (branch) level, although extensive use for planning and control at the corporate management level. For example, a comprehensive appraisal is exercised in the bank quarterly via an interactive performance review presentation at the head office premises, where the business unit and corporate results hold the spotlight. The Finance and Planning Division runs this forum, which occupies a central priority in the corporate agenda, with the participation from various management levels, including the Chairman, GM, DGMs and AGMs. Its extensive nature is also spelt out in published records.

Given the stiff competition faced by the bank, a significant feature of this forum is the performance review of peer banks, a presentation made by a senior officer of the Finance and Planning Division, which analyzes the general outlook of the financial services industry, comparing the quarterly financial performance results using indicators of profitability and growth of the six main banks, giving insight into Bank Alpha's position vis-à-vis its peers. Comparison of these results becomes the point of discussion at the forum, and according to the members of the Finance and Planning it became a basis for a range of planning and controlling decisions. It makes the corporate management re-think their strategic positioning given competitor performance, which in turn led to planning decisions on the expectations for the individual business units to reach the overall corporate goals. Discussions surrounding analysis of negative variances instigated managerial decisions on future corrective action.

The evidence shows that branch managers have tended not to use budgets heavily for discussions between senior and junior level staff. Instead, at the branch level, their discussions were centered on quality service delivery to customers. The following interview quote from one manager expresses this:

> We can't just depend on the budget; we have to see what our customers want, and serve their needs because we are facing a very tough competition. So I sit together with my loan officer, deposits officer and customer service officer, and talk about how to serve customers better. We discuss how to provide better quality service to customers, on-time service, uninterrupted ATM services and all that. Then the officers discuss these with their subordinates. Sometimes I hold discussions with all the branch people, and ask their views. Anyway we don't give a big focus to budgets. We give high attention to daily banking work, our operational matters.

The above evidence suggests that Bank Alpha's budgeting system facilitates top level management's decision-making needs. However, its use for practice level managers was more of a ceremonial or routine nature via compliance to head office directions. Their (branches) central focus was on servicing customers rather than using the formal budgets in their everyday affairs, according to most branch managers interviewed.

Discussion and conclusions

Building upon ANT, this paper conjectured that certain actors present a case for budgetary controls and attempt to translate interests of other actors across different stratas of the management via various interessement devices, to build a budgeting network of allied interests. In empirically assessing this proposition using evidence from the case study of Bank Alpha, a number of noteworthy deliberations became apparent. This is diagrammatically portrayed in Figure 4 and discussed in turn.

Insert figure 4 here

As Figure 4 shows, the Board of Director's aspirations for the bank's desired performance for the next year are translated into functional units and branches through the corporate management and the DGM units. Additionally, for branches these are routed through the provincial offices and area managers. In keeping with such board directions and guidelines espoused by Finance and Planning, the branches and units are expected to initiate budget proposals capturing local realities, which in turn need to be conveyed through the hierarchy to the Finance and Planning Division. Although this represents the desired end, the observed practice did not entirely resemble it. Despite the expectation that an array of human actors ranging from the top management and the Finance and Planning team to various functional unit heads, area and branch managers would be absorbed in the budgeting system, their enrolment did not materialize to produce a heterogeneous network of allied interests.

Actors have heterogeneous interests; and the same system may have different versions for different actors (Hyvonen, Jarvinen, & Pellinen, 2008), which can affect their enrolment in the network (Callon, 1986). The budgeting system in Bank Alpha thus held different degrees of importance for different actors. In the eyes of the Finance and Planning members it was of utmost importance. The overall responsibility vested in their hands, and they exhibited a deepseated interest, as coming up with a 'good' budget was a medium to demonstrate their worth and shine among peers. Although accustomed to the term 'budget', most of the other actors saw things differently. They did not necessarily share positive sentiments nor extend full efforts towards the process.

The low interest of other actors is unsurprising as although they were expected to give input to its development, the budget which was ultimately imposed was that desired by the head office. This at times turned out to be wholly different from that initiated at the local level, as the centralized 'top-down' budgeting system handed power to the Finance and Planning Division to *cut and chop resource allocations* as well as to *enhance budget targets*. Interviewees thus pointed out that the Finance and Planning Division *controlled* the process, although it was not perceived negatively except by a small minority. While claims were made that the head office 'always increase targets', certain others were of the view that the head office 'simply does not accept the branch budget'. A few others maintained that rather than being mutually agreed the budget was done in an autocratic fashion with branches not consulted in the process.

In this regard, parallel findings were reported in the study of a Spanish electricity company by Tsamenyi, Cullen, and Gonzalez (2006) where users expressed discontent that their views, knowledge and experience were not welcomed in the design of a new system. Such negative sentiments, although not forming the majority view, were expressed rather strongly by some, raising doubts on the strength of the *relational network* on budgeting. Conceptually, although the structure was in place, thorough engagement of various actors was not visible in Bank Alpha. Faced with such a scenario, observed practice was that budgeting tasks vested in the hands of accountants in the head office. This was nevertheless interpreted by some as 'control' rather than 'coordination' of the budget.

Differences existed between the words of accounting and non-accounting managers regarding the 'control role' of the Finance and Planning Division. In contrast to the view of certain branch managers, members of Finance and Planning described their grounds for altering the budget 'as coordinators of the process', in recognition of the need to fall in line with government expectations and management pressure for higher achievement. Despite such rationales, the head office 'coordinated' or 'controlled' budget attracted minimum attention from branch / area managers as well as from functional heads, who interpreted that it was in the 'powerful hands of Finance and Planning people'. Empirics from Bank Alpha hence reinforced the wisdom offered by Burchell et al. (1980) over 30 years ago that budgeting is a social and organizational phenomenon affecting the political landscape of organizations, rather than a wholly rational process as espoused in the traditional view. It also highlighted that compromises, bargains and conflicts all appear in the realm of budgets (Wildavsky, 1979).

It is argued in the literature that budgets form a link between financial resources and human behavior to accomplish policy objectives (Wildavsky, 1975, 1979). However, rather than engaging in a constructive dialogue with other players to come up with a 'good' budget, from the world view of functional heads in marketing, HR etc., the motive for budget preparation was merely to ensure their quota of resources. This corresponds to the findings of Tsamenyi, Mills, and Tauringana (2002) in the Ghanaian context, where resource allocation was the key drive for the interest on budgets. Alongside prior researchers such as Covaleski and Dirsmith (1983), Covaleski et al. (1985), Hopwood (1983) and Hoque and Hopper (1994, 1997), the functional heads of Bank Alpha considered budgeting a fact of life and a taken-for-granted course of action.

Seen in this light, a fully-fledged budgeting network as promulgated through ANT did not materialize in Bank Alpha, and the translation process did not occur as desired. The Finance and Planning team problematized the need for a ‘good’ budgetary control system, and it was their intention to get others at the area, branch and functional level enrolled via interessement devices such as budget preparation guidelines and awareness programs, non-human actors from the purview of ANT (see Latour, 1987; Lee & Hassard, 1999). These devices, however, did not succeed in enrolling all actors across the bank at the branch, area and functions levels. As “interactions between actors are the building blocks of networks” (Williams-Jones & Graham, 2003, p. 275), it was expected that a fruitful dialogue would exist between various actors to ensure that local conditions were reflected in the budget.

Although the Finance and Planning Division ran budget awareness programs, interactions with people at the practice level did not meet expectations. Amid diverse priorities, time and knowledge limits and perceived dominance by the Finance and Planning people, these other actors contributed to the process in varying degrees. Most members provided *some information* because they *had to do so*, not due to a shared need to come up with a ‘good’ budget. The proposals submitted were often constructed incrementally from those of the previous period (see Otley, 2006). The translation process would have been more meaningful if the interests of these heterogeneous actors from branches, area offices and functional levels were better attuned to each other through increased enthusiasm and involvement, as actors’ interests are important and affect the translation process (Emsley, 2008).

The paper also postulates that organizations are inclined to implement and use budgetary control systems due to external legitimacy concerns, but make minimal use of these systems for internal decision making. The evidence garnered depicted that Bank Alpha created budget numbers as an external legitimizing device (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), thus supports the institutional theory position on external use. Figure 5 depicts the use of budgeting for external legitimacy as observed in Alpha.

Insert figure 5 here

Budgets of large SOEs such as Bank Alpha are inextricably linked to government initiatives. This notion is supported by the writings of Alam (1997), Alam and Lawrence (1994) and Hoque and Hopper (1994, 1997), who reported such dissemination of information to the state in the Bangladesh context.

Not only is Bank Alpha required to provide information for the national budget, once the national budget is prepared, it in turn needs to fall in line with the government’s development initiatives, make allocations for social responsibility activities, offer concessions to the economy, etc., which have important ramifications for budgeting. These various modes strove to satisfy external legitimacy requirements (of the owner / government) and meet societal expectations and preferences (as a public sector bank) by portraying a positive public image to outside constituents (Covaleski & Dirsmith, 1988a, 1991). Seen in this light, coercive isomorphism, which involves pressures from other organizations on which a focal organization is dependent, and pressure on the organization to conform to the cultural expectations of the larger society (Covaleski & Dirsmith, 1988a; DiMaggio & Powell, 1983) had direct relevance to Bank Alpha. Researchers (Covaleski & Dirsmith, 1988a; Hoque & Hopper, 1994) have illustrated how budgeting practices become ceremonial, with coercive pressures imposed by the state becoming a condition for continued funding. For Bank Alpha, however, rather than producing passive compliance with the owner, government plans were one consideration in budgeting, among others such as past performance and future potential.

The internal use of budgets as a decision making tool for organizational actors at the apex level was also predominant. This was more surprising, as managers at the practice level neither enthusiastically contributed to the budget discussions nor used budgetary information in their day-to-day operations. Figure 6 portrays the various modes utilized in the internal use of budgets for corporate management.

Inset figure 6 here

Perusal of key financial data (such as income, profit, deposits, advances and non-performing advances) and indicators (such as ROA, cost to income and capital adequacy) generated through these reports aided planning and controlling decisions of management, as well as assisting in the evaluation of business unit performance. It is also claimed in the literature that budgets permit control of costs (Sivabalan, Booth, Malmi, & Brown, 2009), and that reporting budgeted versus actual cost information is vital for senior managers to develop knowledge about problematic projects (Hall, 2010). In Bank Alpha, monitoring of the expenditure budget focused business units on cost containment and management of spending. For the senior management, scrutinizing the expenditure budget and its actual utilization facilitated future resource allocation decisions.

From an ANT viewpoint, budgetary control reports and performance review presentations as interessement devices (non-human actors) become important means of demonstrating the use of budgets, and directing organizational members (human actors) towards the use of budgeting information to facilitate decision making at the organizational (corporate) level. Ironically, while budgeting became a successful control system in the bank for senior management, the budgeting network was only partially successful. Despite their efforts, the Finance and Planning team was not able to develop and maintain a strong network of support from all, especially practice (branch) level actors on the formulation of budgets and on the use of such information.

Consistent with NIS, which predominantly emphasizes isomorphism forces, accounting scholars have noted that SOEs implement control systems for external needs, and make marginal use of such systems internally (for references, see Hoque et al., 2013). Meyer and Rowan (1977) suggested that efficiency and institutional pressures contradict each other. Consistently, the Bangladeshi case study of Hoque and Hopper (1997) found that the co-existence of efficiency and institutional pressures could give rise to possible contradictions. In contrast, Tsamenyi et al.'s (2006) Spanish electricity case study, and Jarvinen's (2006) study on two public hospitals in Finland, found that these pressures were not dichotomous but complementary. Adding to such literature, evidence from Bank Alpha has shown that its budgeting system served to legitimize the organization to its external constituents, while serving the quest for internal decision making at the top management level. It suggested that external and internal uses of budgeting may in fact interact, and illustrates the significant use of budgetary information for management control, beyond being a symbol of external legitimacy.

While counter arguments may exist, Ahrens and Chapman (2006, p. 823) assert that "events in the field may best be explained with reference to multiple theories." Multiple theories have the potential to provide a synergy of being mutually informative to permit a richer portrayal of unique organizational issues, and a better understanding of realities of management control, as different theoretical approaches address different organizational layers of meanings (Hoque, et al., 2013). Similarly, this research is inserted within two streams of literature, principally on ANT and additionally on NIS. By combining actors' engagement with broader external institutional concerns, it illustrates how these dual theories together offer wider insights into the dynamics of management control in the banking setting. Findings from Bank Alpha suggest how the influence from 'external' institutions such as the government (with the aid of NIS) can be complemented with insights from 'internal' organizational actors (with the aid of ANT) in translating and making sense of the practice of management control.

Although each of these theories deemed relevant in making sense of the data, taken in isolation each provided only a partial explanation of the design, operation and use of management control as the need arose to recognize the intertwined deliberations of actions of actors and external institutional forces. As the main theoretical lens of the study, ANT was useful in providing explanations of how powerful actors and the relational networks formed therein shaped control mechanisms. However, ANT needed extension to incorporate the external institutional pressures which influence MCS. In Bank Alpha, coercive influences from the government became significant in budget design, and budgetary control information was of paramount important as an external legitimacy device. Seen in this light, this study extends the ideas of ANT in accounting research, by drawing on the dimension of isomorphism pressures under NIS. By establishing a theoretical link between MCS, actor-networks and institutional forces, this study shows how integration of actors' deliberations with external institutional pressures enable different voices to be heard, and facilitate the interpretation of "diverse" events and issues in a coherent manner which shape management control practices. Our study also serves as a response to calls from several scholars; to Lounsbury (2008), for the creation of a comprehensive approach to the study of practice encompassing institutional and micro processual facets; and to Berry, Coad, Harris, Otley, and Stringer (2009), for field studies which emphasize real control systems, strongly grounded in organizational practice.

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Table 1: Bank Alpha's recent performance summary

	2005	2006	2007	2008	2009
Total assets (Rs. million) (USD million)	319,721 2,882	378,299 3,407	437,901 3,944	484,376 4,363	538,241 4,849
Deposits from customers (Rs. million) (USD million)	232,822 2,100	262,990 2,369	308,856 2,781	316,070 2,847	408,607 3,681
Total income (Rs. million) (USD million)	27,324 246	35,192 317	50,159 452	60,182 542	63,461 572
Profit before tax (Rs. million) (USD million)	3,120 28	4,137 37	4,518 41	5,231 47	4,208 38
Profit after tax (Rs. million) (USD million)	1,895 17	2,627 24	2,843 26	3,561 31	3,084 28
No. of employees	8,891	8,363	8,253	7,912	7,538
No. of branches	304	305	307	309	310
No. of ATMs	104	190	203	251	329

Source: Annual Reports (2005- 2009)

Figure 1: Organization Structure

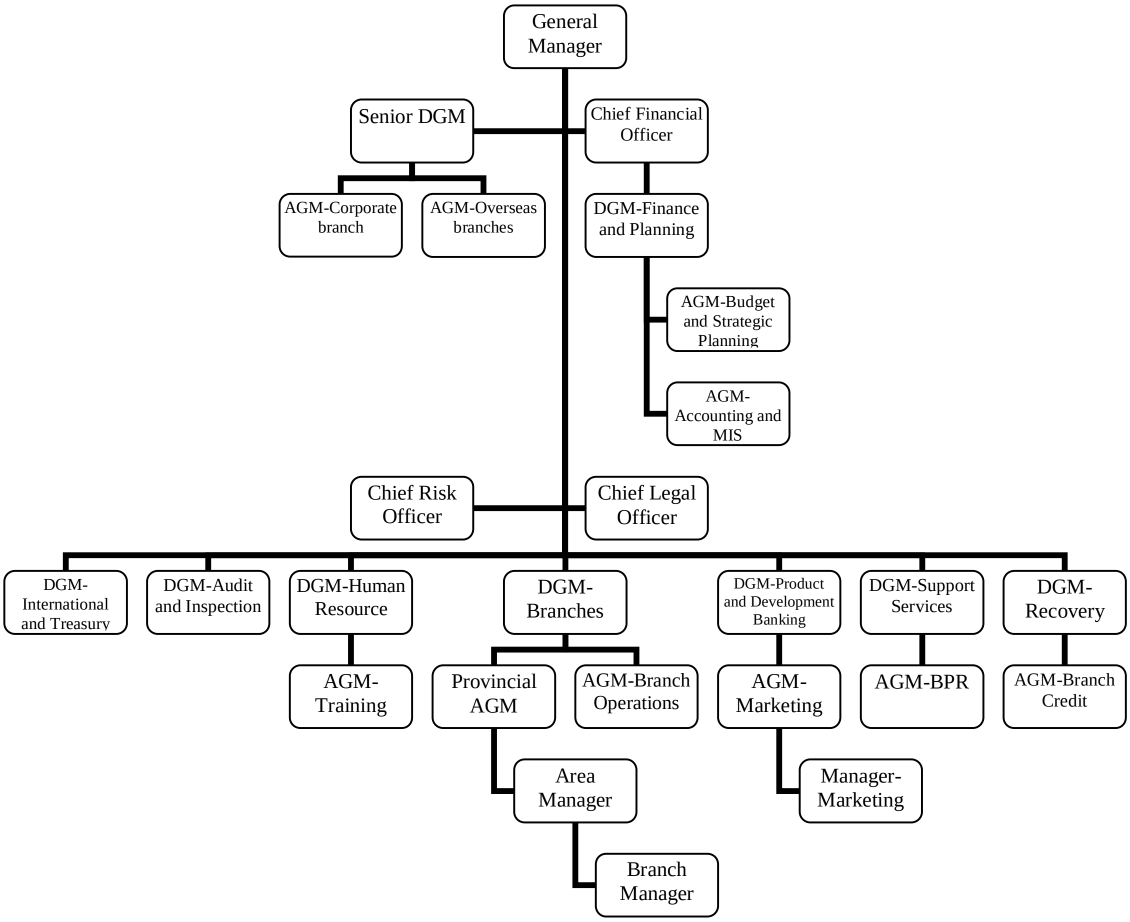


Figure 2: The budgetary process

Initiation of the budget

The Head Office finance and planning division communicates the Board of Directors expectations (in terms of where the bank desires to be in the budget year), and budget preparation guidelines down the hierarchy to the functional heads and branch managers, through the DGM units.

↓

Enrolment of other actors to the budgeting network

Functional heads and branch managers develop their budget proposals, with the assistance of the finance and planning division.

↓

Matching figures by the Finance and Planning Division

The Finance and Planning Division matches the budget proposals of branch / functional level with the overall corporate goals espoused by the Board of Directors. Branch / unit targets are adjusted where necessary to fall in line with the overall corporate budget, through a series of discussions with relevant unit heads and Finance and Planning.

↓

Forwarding of the draft budget for Board of Directors approval

The finance and planning division forwards the settled budget for the approval of the board.

↓

Distribution of approved budget to the units

The Finance and Planning Division distributes the board-approved branch and functional budgets through the DGM units.

↓

Budget implementation

Branch and functional units work as per the budget by achieving profit targets and limiting expenses to budget figures.

Figure 3: Translation of Board of Directors' aspirations to branch / unit budgets

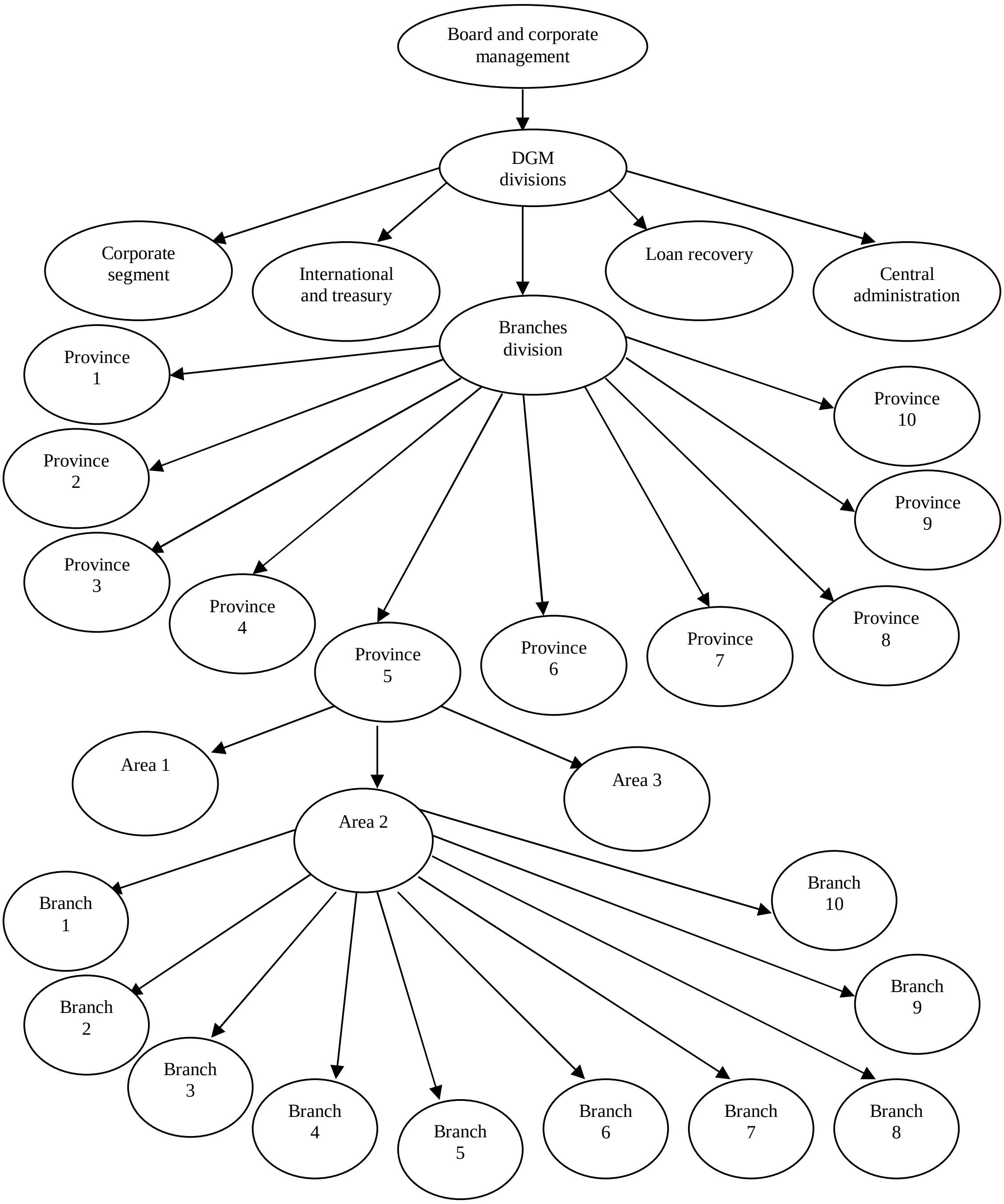


Figure 4: Actor-networks constructed in the budgetary process

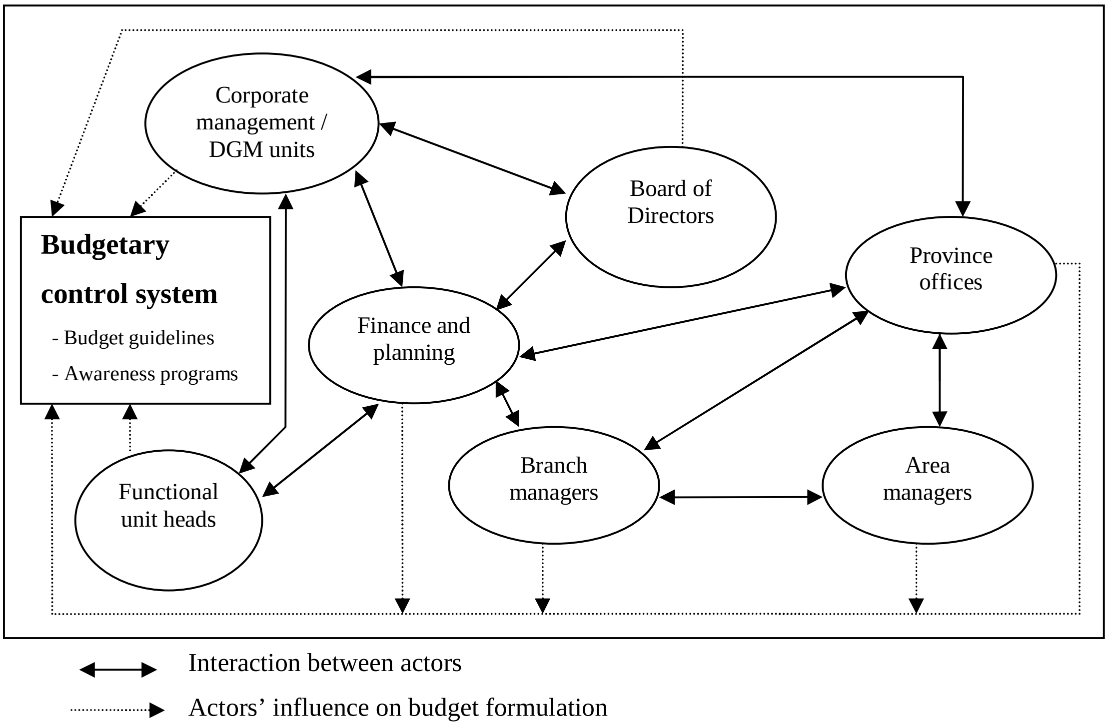


Figure 5: Budgets for external legitimacy

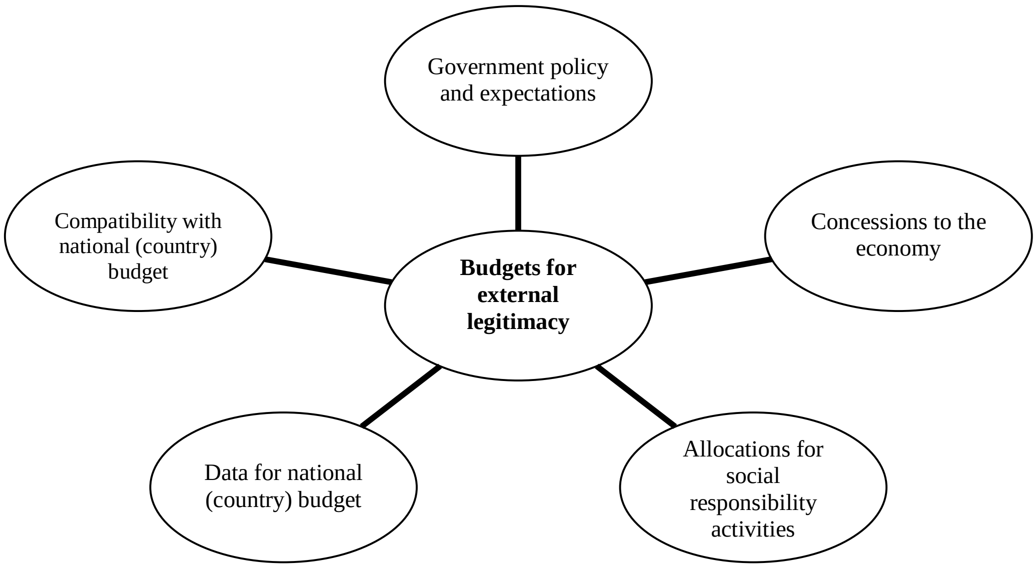
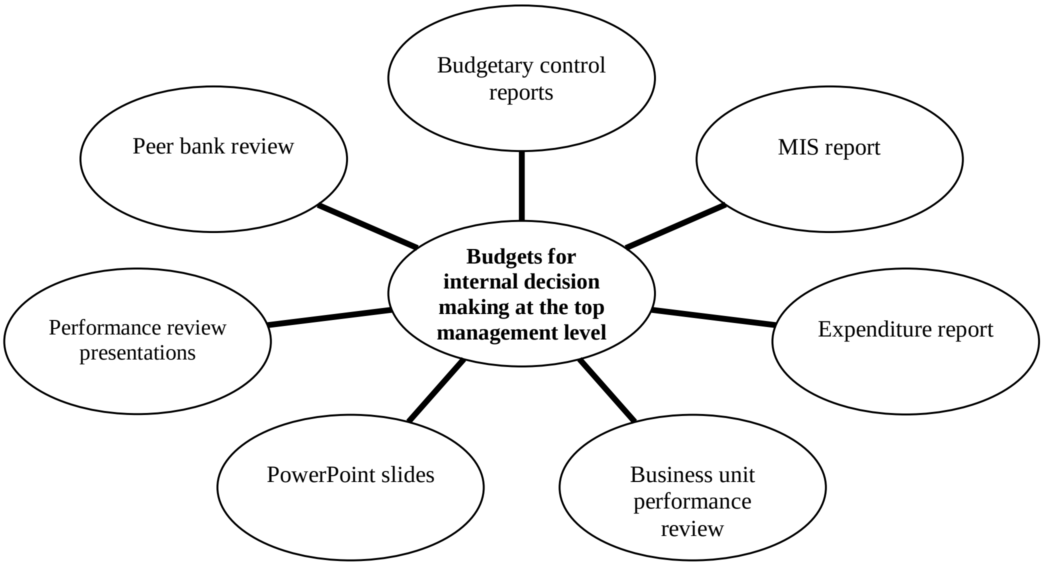


Figure 6: Budgets for internal decision making



Appendix A: Profile of Interviewees

Interviewees at Bank Alpha during the pilot phase

	Designation	Main tasks / key responsibilities
1	AGM – Accounting & MIS	Central bank reporting, board information, monthly performance reports, gathering information online through the branch network.
2	AGM – Budget & Strategic Planning	Financial reporting to central bank, analyzing financial data, compliance with central bank / stock exchange, tax matters / payment of taxes and other statutory dues, internal reporting to BOD, liquidity planning, capital budgeting, forecasting
3	Manager - Marketing	Marketing budget, overall media, branch level promotional activities, new products, market research, sponsorship decisions
4	AGM - Training	Training and development of the bank, identify training needs, identify progress, send participants for training
5	AGM – (Branch Operations)	Overlooks 300 plus branch operations and sales matters, assigning ATMs, business improvement in the 10 provinces, giving targets to provinces and reviewing
6	Chief Financial Officer (CFO)	Overlooks the entire finance function, finance papers to the board and any large transactions. Attends crisis meetings, meeting with ministry of finance, central bank, external funding agencies, customer visits
7	DGM - Finance & Planning	Overlooks and manages the entire finance and planning activities. Supervises the operational work entrusted with the 2 AGMs in the division. Participates on policy level work together with the other corporate management members
8	DGM – Inspection & Audit	Ensure a sound control environment in the bank. Carryout different types of audits as per audit plans and audit programs. Makes recommendations and follow up action
9	Branch Manager – Narahenpita	Responsible for the operations of the branch, attend to customer, follow-up loan recoveries, temporary overdrafts, sign cheques and all vouchers for the branch operations
10	Branch Manager - Nugegoda	Overlooks the entire operations of one of the largest branches of the bank (which is a super-grade branch)
11	Branch Manager - Rajagiriya	Overlooks the entire branch operations. Paying cheques, attending to customers

Interviewees at Bank Alpha during the main phase

	Designation	Main tasks / key responsibilities
1	AGM – Accounting & MIS	Central bank reporting, board information, monthly performance reports, gathering information online through the branch network.
2	AGM – Budget & Strategic Planning	Financial reporting to central bank, analyzing financial data, compliance with central bank / stock exchange, tax matters / payment of taxes and other statutory dues, internal reporting to BOD, liquidity planning, capital budgeting, forecasting
3	Budgetary Control Manager	Developing, implementing and controlling the bank's budgetary control function, preparation and distribution of complete budget package, monitor budget performance, Preparation of reports to management on budget performance/budget variances, Interact with DGM divisions of the bank regarding budget related issues, Participate in budget education process for employees in other areas.
4	AGM – Marketing	In charge of all marketing activities covering marketing budget, overall media, branch level promotional activities, new products, market research, sponsorship decisions
5	Senior DGM	Overlooks the entire bank operations and directly responsible for the largest business unit of the bank
6	Chief Financial Officer (CFO)	Overlooks the entire finance function, finance papers to the board and any large transactions. Attends crisis meetings, meeting with ministry of finance, central bank, external funding agencies, customer visits
7	DGM - Finance & Planning	Overlooks and manages the entire finance and planning activities. Supervises the operational work entrusted with the 2 AGMs in the division. Participates on policy level work together with the other corporate management members
8	Branch Manager – Wellawatte	Overlooks the operations of a large branch (super-grade) of the bank
9	Branch Manager – Maharagama	Overlooks the operations of a large branch (super-grade) of the bank
10	Branch Manager - Kollupitiya	Overlooks the operations of a large branch (super-grade) of the bank
11	Branch Manager - Bambalapitiya	Overlooks the operations of a large branch (super-grade) of the bank
12	AGM – Corporate Relations	Overlooks the operations of one of the largest business units of the bank

13	AGM – BPR	In charge of the project handling the changes to business processes in facilitating the computerization of the bank.
14	AGM branch credit	Evaluating branch credit portfolios and ensuring quality credit. Monitor loan amount released and the recovery.
15	AGM – Overseas branches	Overall responsible for the 3 overseas branches of the bank
16	Senior Area Manager – Premadasa	Overall responsible for the 14 branches coming under the area
17	Senior Area Manager – Cyril	Overall responsible for the 14 branches coming under the area
18	Senior Area manager – Kularatne	Overall responsible for the 15 branches coming under the area
19	Chief Manager -Sourcing and Career Development	In charge of recruitment, selection and promotion of employees.
20	Trade Union official	Holds the position of the President of the TU, which is part of the Ceylon Bank Employees Union

Interviewees from Other Institutions

Institution	Designation of Interviewee	Nature of information obtained
Central Bank of Sri Lanka	Senior Assistant Director - Bank Supervision Department	On-site and off site inspection of commercial banks, Banking regulations, legislation and policy issues, public and private bank comparison
	Director - Centre for Banking Studies	Banking industry information, public and private bank comparison, training of bankers
	Additional Director - Centre for Banking Studies	Banking industry information, public and private bank comparison, training of bankers
Institute of Bankers of Sri Lanka	Director	Banking industry information, public and private bank comparison, training of bankers