

**MANAGEMENT CONTROL  
SYSTEMS IN ORGANIZATIONAL  
AND SOCIAL CONTEXTS: A CASE  
STUDY OF THE CEYLON  
ELECTRICITY BOARD**

**BA**

**Weerasinghe Hilary Elmo Silva**

**Registration Number: 1951MD2014003**



**Thesis submitted to the University of Sri Jayewardenepura  
for award of the Degree of Doctor of Philosophy**

**2015**

## DECLARATION BY THE CANDIDATE

The work described in this thesis was carried out by me and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/ Diploma.

23<sup>rd</sup> March, 2015

Date

Dr. J. S. S.

Signature of the candidate

## CERTIFICATION BY EXAMINER

I certify that the candidate has incorporated all corrections, additions and amendments recommended by the examiners at the viva-voce examination held on 03<sup>rd</sup> March 2015.

Dr. Ariyaratna Jayamaha

Prof. Ariyaratna Jayamaha

Faculty of Business, Economics and Law  
Department of Accounting, La Trobe Business School  
VIC 3086 Australia  
Tel (613) 9479 3433 Fax (613) 9479 3047  
E-mail: z.hoque@latrobe.edu.au

13 August 2014

**TO WHOM IT MAY CONCERN**

**Re: Mr Weerasinghe Hilary Elmo Silva**

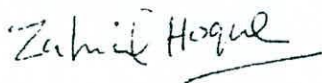
This is to confirm that Mr Weerasinghe Hilary Elmo Silva was a PhD candidate in the Department of Accounting at La Trobe University, Melbourne, Australia under my supervision during 25 February 2008 and 28 November 2012. His student ID number was 15464952.

Hilary completed the work in the areas of theoretical, methodological and fieldwork for his PhD thesis titled "Management Control Systems in Organizational and Social Contexts: A case study of the Ceylon Electricity Board". I have already completed supervision of his whole work and recommended it to any Higher Education Institute for examination purpose.

I do not have any objection if he submits his completed thesis during his candidature at La Trobe University for a PhD from a Sri Lankan university.

I wish him all the best for his future career success.

Yours sincerely



Professor Zahirul Hoque  
Head (Acting), Department of Accounting



## Table of Contents

	Page No
Content.....	i-vii
List of Table.....	viii
List of Figure.....	viii
Appendix.....	ix
Acknowledgements .....	x
Abstract .....	xi-xii
<b>Chapter 1: Introduction.....</b>	<b>1</b>
1.1 Background.....	2-3
1.2 Important and motivation of study.....	3-5
1.3 Objectives of research.....	5-6
1.4 Contribution of study.....	7-11
1.5 Research context and site.....	11-12
1.6 Methodical position.....	12-14
1.7 Overview of the thesis.....	14-18
1.8 Summary.....	18
<b>Chapter 2: Sri Lanka: An overview .....</b>	<b>19</b>
2.1 Introduction.....	20-22
2.1.1. An overview of before independence.....	22-23
2.1.2 An overview of after independence: Post-colonial period.....	23-25
2.2 An overview of the power sector in Sri Lanka.....	25

2.2.1	Industry issues.....	26
2.2.2	Electricity tariff setting.....	26
2.2.3	Power sector reforms process.....	27-29
2.3	National energy policy in Sri Lanka.....	29-30
2.3.1	Renewable energy policy in Sri Lanka.....	30-31
2.3.2	Off-grid renewable power generation.....	31-33
2.3.3	Focus on the least cost projects.....	33-34
2.4	Electricity Regulation- in Sri Lanka .....	34
2.4.1	Evolution.....	34-35
2.4.2	New Electricity Bill in 2009.....	36-38
2.5	Overview of Ceylon Electricity Board.....	38-39
2.6	Summary.....	39
<b>Chapter 3: Literature Review.....</b>		<b>40</b>
3.1	Introduction.....	41-42
3.2	Understanding management control and change.....	42-50
3.3	Literature on management control change in the public sector in developing countries.....	50-58
3.4	Management control change at the organisational field level and organisational level.....	58-59
3.4.1	Management control change at the organisational field level.....	59-62
3.4.2	Management control change at the organisational level.....	62-71
3.5	Influences on management control change and its effectiveness in the public sector.....	71-74

3.5.1	Resistance to change.....	74-77
3.5.2	Practical relevance of management control research.....	77-79
3.6	Research gaps and the positioning of the thesis within the existing literature.....	79-81
3.7	Summary.....	81-82
<b>Chapter 4: Theoretical Framework.....</b>		<b>83</b>
4.1	Introduction.....	84
4.2	The role of theories in research.....	84-86
4.2.1	Background of research.....	86-88
4.3	Institutional Theory (IT) approach to control .....	88-97
4.4	Previous institutional research studies.....	98-107
4.5	Theoretical framework of the study.....	107-114
4.6	Rational for NIS is relevant to explore research questions.....	114-121
4.7	Summary.....	121
<b>Chapter 5: Research Methodology.....</b>		<b>123</b>
5.1	Introduction.....	124
5.2	Rational for the case study method as the research tool .....	124-129
5.2.1	Strengths and criticisms of case study methodology as a research tool .....	129-132
5.3	Qualitative case study approach.....	132-133
5.4	Research setting.....	134
5.4.1	Research site.....	134-135
5.4.2	Access.....	135



5.4.3	Methods employed for this case study.....	135-137
5.5	Data collection methods.....	137-139
5.5.1	Interviews.....	139-146
5.5.2	Interview protocol and details of interviewees.....	146-150
5.5.3	Organisational records.....	150-151
5.5.4	Observation.....	151-154
5.5.5	Triangulation in data collection.....	154-156
5.5.6	Recording the data.....	156-157
5.5.7	Reliability and validity to field data .....	157-158
5.6	Data Analysis.....	158-159
5.6.1	Organising the data.....	159
5.6.2	Generating categories themes and patterns.....	159-160
5.6.3	Coding the data.....	160
5.6.4	Offering interpretations.....	160-161
5.7	Summary.....	161-162
 <b>Chapter 6: Organisation Context .....</b>		<b>163</b>
6.1	Introduction to the Organisation.....	164-166
6.2	Organisational structure.....	166-168
6.3	Current performance at CEB.....	168-169
6.3.1	Production capabilities.....	170-171
6.3.2	Operational Efficiency.....	171-174
6.3.3	Challenges.....	174-175
6.4	Context of modernising management control system.....	176-177

6.4.1	Traditional accounting system at CEB.....	178
6.4.2	Cash system of accounting.....	178-180
6.4.3	Changes in accounting system.....	180-182
6.4.4	Reengineering of accounting information flows.....	182
6.4.5	Reengineered Processes.....	182-183
6.4.6	Having visions and making visions.....	184-185
6.4.7	Budgetary process changes.....	185
6.5	Changes and cultural context within the organisation.....	185-194
6.5.1	Capacity building – Project management.....	194-195
6.5.2	Control system intervention.....	195-197
6.6	Local trade union activities.....	197-198
6.7	Context of the Study.....	199-200
6.8	Summary.....	201
<b>Chapter 7: The result of the pilot study.....</b>		<b>202</b>
7.1	Introduction.....	203
7.2	Entry and the access.....	203-205
7.3	Interviews and general observations.....	205-209
7.3.1	Awareness on Vision and Mission of CEB.....	209
7.3.2	Government factor and influence to CEB operations.....	210-212
7.3.3	Organisational culture and interpersonal relations .....	212-213
7.3.4	Public relations: Building image .....	213
7.3.5	Resource Availability.....	213-214
7.3.6	Accounting control system.....	214



7.3.7	The budgeting process.....	214-217
7.3.8	The capital budgeting process.....	217-218
7.3.9	Monthly review meeting.....	218-220
7.3.10	Internal Audit.....	220-221
7.3.11	Management Information System.....	221-222
7.3.12	Human Resource Management System.....	222-224
7.3.13	Government influences.....	224-226
7.4	Major issues of changes.....	226-228
7.5	Major findings and issues for further investigation.....	228-230
7.6	Summary.....	230-231
<b>Chapter 8: Findings of the main study.....</b>		<b>232</b>
8.1	Introduction.....	233
8.2	What are the changes taken places in management control system?.....	234
8.2.1	Accounting is positioned in the operational field.....	234-241
8.2.2	Establishment of new management control systems.....	241-246
8.3	What are the rationales of such change?.....	247-250
8.3.1	Contextual factors for changes and innovations.....	250-257
8.4	Various players role in the operation of the system.....	258-264
8.5	Summary.....	264
<b>Chapter 9: Discussion and Conclusion.....</b>		<b>265</b>
9.1	Introduction.....	266-268
9.2	Discussion.....	269-280

9.3	Theoretical contributions.....	280-285
9.4	Concluding remarks.....	285-287
9.5	Limitations and potential future research.....	287-289
<b>References.....</b>		<b>290-327</b>

**List of Table**

Table 2.1 Electricity Generation Cumulative Capacity (MW)..... 32

Table 5.1 Summary of interviews for the main study and pilot study are as follows ..... 147

Table 5.2 Overall pattern of multiple data sources used..... 155

Table 6.1 Ceylon Electricity Board- Ownership & Source..... 170

Table 6.2 Operational Efficiency..... 172

Table 6.3 Financial performances..... 173

Table 8.1 Changes in MCS..... 245

**List of Figure**

Figure 4.1 Institutional Rational Dynamics..... 111

Figure 4.2 Drivers of organisational forms of practices: NIS perspectives..... 119



## **Appendix**

Appendix 1: Letter of request for research access .....	I-II
Appendix 2: Letter of introduction from principal supervisor .....	III
Appendix 3: University ethics approval .....	IV-V
Appendix 4: Participant information sheet .....	VI-VII
Appendix 5: Consent form .....	VIII
Appendix 6: Interview questions for pilot study.....	IX
Appendix 7: Interview questions for main study.....	X-XI
Appendix 8: Summary of interviews and approximate time spent.....	XII
Appendix 9: Organization Chart: Ceylon Electricity Board.....	XIII

## ACKNOWLEDGEMENT

I wish to extend my heartfelt gratitude to all those who supported me in many ways towards completing this thesis. Most of all, my very heartfelt appreciation goes to my principal supervisor Professor Zahirul Hoque at School of Accounting La Trobe University, Melbourne Australia, for his exceptional academic guidance, immense contribution and tireless support throughout this study. I am very thankful to my co-supervisor, at School of Accounting La Trobe University Dr. Julie Margret for her productive and logical comments towards the improvements of the thesis.

I owe a debt of gratitude to all the academic and non-academic members in the Faculty of Graduate Studies and Management Studies and Commerce in my home university Sri Lanka; University of Sri Jayewardenepura, for their continues encouragement throughout this study. I am also indebted to the University administration for granting me a study leave and a part of funding to facilitate my study. Further, I am grateful to the academic and administrative staff in the School of Accounting La Trobe University Melbourne, particularly Ms. Colleen Stoate and Ms. Jodie Kennedy for their valuable support. My appreciation goes to the administrators of the research sites for granting access, to the interviewees for their time and insights, and to all others specially Ms Mendis and Mr Jayasooriya who have helped me continuously in this project.

I also would like to express my sincere appreciation to Mr. Samsan Ekanayaka (My Guru) Senior Lecturer, Deakin University Melbourne, Australia and his wife Mrs. Ranjane Ekanayaka for sharing the sufferings and joys of this PhD project. Further, my friends in Melbourne, especially, Asoka, Ramya, Daya, Tharusha, Lalith, Seelanatha, Colobage, Ranjith, Percy, Christ, Venura, Lakmika, Nalika, Vindya, Jayamini, Sandayani, Ramyanath, Sriyani for giving me a friendly environment during my study period in Melbourne. A special word of appreciation is owed to Ms. Nirosha, Ms. Chandima, and Mr. Samilitha for their support and being with me there whenever I was in need.



## **ABSTRACT**

The primary purpose of this study was to investigate, understand and interpret the ways in which a public sector organization designed, operated and used management control system (MCS) to cope with their day-to-day operations. The focus was on the broad macro (institutional) and micro (organizational) context of the systems that existed in the Sri Lankan public sector.

Drawing from new institutional sociology (NIS) perspectives, the study is to be designed to address how organizational actors and external institutional forces influenced the design, shape and use of formal MCS, in public sector organizations in a developing country. The study further aims to develop a new theoretical framework for understanding problems of MCS using the theory of cultural political sociology of Sri Lanka in conjunction with NIS. Methodologically, the study used a qualitative case study approach. Data were collected using numerous techniques including interviews with 98 people across hierarchical levels, study of organizational and web-based documents, and observation of practices.

This study creates significant contributions to the body of management accounting literature in a number of forms. First, this study contributes to the management accounting literature by providing evidence on how MCS functioned in the public sector. By using NIS, it demonstrates how NIS can make sense of organizational practices in their socio-political and institutional contexts. Second, through the lenses of NIS, this study shows how this theory can offer broader descriptions about the dynamics of control practices in the service sector. Third, this research study has some practical implications by describing some design and operation scenarios, events and incidents. Fourth, this study found how control systems are changed due to external pressures, actions of key players, and local organisational settings. Ultimately the findings of this research



study will be useful to practitioners, policymakers and consultants in developing countries in terms of effective execution of control practices and identification and rectification of any drawbacks in the process.