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CONTEXT AND CHANGE IN MANAGEMENT ACCOUNTING AND CONTROL SYSTEMS: A CASE STUDY OF TELECOM FIJI LIMITED

A thesis
submitted in fulfilment
of the requirements for the degree
of
Doctor of Philosophy
at the
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by
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Abstract

This thesis aims to contribute to research in management accounting and control systems (MACS) in a developing country context: that of Fiji. It seeks to gain a theoretical understanding of how MACS reflect the social and political contexts in which they

operate by using a case study of Telecom Fiji Limited (a major supplier of telephone communications in Fiji). The definition of “MACS” for the purpose of the thesis is broad- a social constructivist perspective is adopted in which systems are used to align employee behaviour with organisational objectives and to assist external relationships (with the State, Commerce Commission, aid agencies and customers). The thesis draws on institutional theory while raising questions as to how to refine and extend institutional theory. This theory has often been associated with institutional embeddedness (stability). The social constructivist approach helps to incorporate agency and cultural issues normally missing in conventional applications of institutional theory to accounting change.

Telecom Fiji Limited (TFL) was restructured under the Fiji government’s public sector reforms. Such reforms were insisted upon by the international financial agencies of the World Bank, the Asian Development Bank and the International Monetary Fund. Under the reform policy, TFL was transformed from a government department into a corporatised organisation and was subsequently privatised. The MACS changes which eventuated helped to change TFL management and employees’ interpretive schemes. However, employees resisted initial changes to commercial business routines and it took some years for TFL actors to assimilate commercial practices. While the literature dealing with MACS changes has mostly portrayed changes as occurring with little resistance, MACS changes at TFL took several years to become institutionalised, partly because of cultural and political factors specific to Fiji.

The study has practice implications as it shows that management accountants can act as institutional entrepreneurs in organisations, shaping new accounting technologies in reformed entities, and changing actors’ interpretive schemes. The study has implications for policy makers, consultants and other stakeholders in terms of promoting a need for better understanding of the sensitivity to cultural and political circumstances in Less Developed Countries (LDC’s) like Fiji in relation to the introduction of MACS changes. The study has implications for other recently corporatized/ privatised and state-sector organisations in Fiji and elsewhere. It also has implications for other researchers as institutional theory can be refined on the basis of new empirical evidence.

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Explanation of Terms and Abbreviations used in the Thesis

ABC- Activity Based Costing
ABM- Activity Based Management
ADB- Asian Development Bank
ATH- Amalgamated Telecom Holdings Limited
CEO- Chief Executive Officer
CSA- Commercial Statutory Authorities

CSR- Colonial Sugar Refinery Company
 DCF- Discounted Cash Flow
 DRG- Diagnostic Related Groups
 EVA- Economic Value Added
 FEA- Fiji Electricity Authority
 FNPF- Fiji National Provident Fund
 FPTL- Fiji Posts and Telecommunications Limited
 GCC- Government Commercial Company
 GDP- Gross Domestic Product
 GE- General Electric
 GNP- Gross National Product
 IKA Corporation- Fish Canning Company
 IMF- International Monetary Fund
 IndoFijians- Migrants from India under the indenture system
 IPO- Initial Public Offer
 KPIs- Key Performance Indicators
 LDCs- Less Developed Countries
 MACS- Management Accounting and Control System
 Mataqali- Sub-clan or extended family unit owning the land
 Native Land Trust Board- Trustees of the native lands in Fiji belonging to the indigenous Fijian landowners
 NIS- New Institutional Sociology
 NLTB- the Native Land Trust Board
 NP= Nuovo Pignone
 NPM- New Public Management
 NPV- Net Present Value
 P&T- Posts and Telecommunications Department
 P & T Decree- the Post and Telecommunications Decree
 PMS- Performance Management System
 Qoliqoli bill- a bill which looks at ownership of coastal and marine resources by the tribes in Fiji
 ROI- Return on Investment
 Roko Tui- Head of a Province
 Rotumans- People of the island of Rotuma
 SBU- Strategic Business Unit

SCF- Save the Children Fiji
SDL- Soqosoqo Duavata Lewanivanua Party
SOE- State Owned Enterprises
TFL- Telecom Fiji Limited
TQM- Total Quality Management
UK- United Kingdom
USA- United States of America
USSR- Union of Soviet Socialist Republic
Vanua- Formed of the agnatic descendants of a common ancestor living in the
same general area
VRA- Volta River Authority

Chapter 1: Overview of Thesis

1.1.0 Introduction

Accounting practice is seen as being an integral part of organizational culture and the wider social and institutional context in which it functions (Hopwood, 1983, 1999; Alam, 1997; Hoque & Hopper, 1997; Hoque & Alam, 1999; Euske & Riccaboni, 1999; Brignall & Modell, 2000; Perera, McKinnon & Harrison, 2003; Hussain & Hoque, 2002). The accounting literature has recognized the importance of culture and politics. For example, Alawattage, Hopper and Wickramasinghe (2007) and Wickramasinghe and Hopper (2005) point out that accounting researchers, particularly in less developed countries, need to address the issues of culture and politics and how accounting is intertwined within these influences.

This thesis seeks to gain a theoretical understanding of how management accounting and control systems (MACS) are a part of the social and political context in which they operate by using a case study in Telecom Fiji Limited (a major supplier of telephone communications in Fiji). The thesis draws on institutional theory. It raises questions as to how to refine and extend institutional theory since this theory has often been associated with institutional embeddedness (stability) rather than change. A social constructivist approach is followed which helps to incorporate agency and cultural issues normally missing in conventional application of institutional theory to accounting changes.

The definition of “MACS” for the purpose of this thesis is broad- a system used to align employee behavior with organizational objectives and to assist external relationships (with the State, Commerce Commission, aid agencies and customers). The cultural and political forces are relevant to accounting in a developing country context in a Fijian Telecom company which was initially a government department and was subsequently corporatised and privatized. The thesis focuses on analysing the management accounting and control system changes at Telecom Fiji Limited (TFL) and examines how TFL was restructured under Fiji government’s public sector reform policy insisted upon by the international financial agencies of the World Bank, the Asian Development Bank and the International Monetary Fund. Initial change to commercial MACS routines was resisted and it took some years for TFL actors to assimilate commercial MACS routines when the organization was

corporatised. The literature dealing with MACS changes has mostly portrayed changes as occurring without much resistance (Abernethy & Chua, 1996; Busco, Riccaboni & Scapens, 2006). However, MACS changes at TFL took several years to be institutionalized, partly because of cultural and political factors specific to Fiji.

The development in the public sector in Fiji led the researcher to study accounting as part of social and organizational change in a telecommunication company in Fiji, Telecom Fiji Limited (TFL). MACS is considered to be part and parcel of changes affecting public sector enterprises. MACS provides a useful means of recording, communicating and interpreting daily activities.

Accountants were proactive at TFL and were instrumental in designing new accounting and control tools for management such as budgeting, net present value analysis and economic value added analysis for projects. Such techniques were absent when TFL was a government department. Expenditure for projects was then based on the needs of the public rather than accounting techniques to justify the maximization of wealth for shareholders.

The thesis also focuses on analysing the changes surrounding the introduction of a management control technique: Total Quality Management (TQM) within TFL. TQM is related to MACS in that incentive pay, for example, can have an impact on TQM practices on customer and quality performance (Sim & Killough, 1998; Chenhall, 2003). Chenhall (2003) notes that TQM practice is associated with MACS including timely externally focused information and close interaction between strategy and non-financial performance measurement. The literature on TQM practices tends to be outcome oriented and only a few studies employ a processual approach to TQM practice implementation.

Accounting researchers have been inspired to investigate accounting in action by utilizing interpretive and critical perspectives grounded in the works of social theorists such as Habermas and Giddens (Laughlin, 1988; Lawrence, 1990, 1999). Such studies have, however, mainly focused on the western industrialized societies as their empirical focus with the exception of some case studies in developing countries (e.g., Hoque & Hopper, 1994; Rahaman & Lawrence, 2001; Sharma & Lawrence, 2005; Alawattage et al., 2007; Mimba, Helden & Tillema, 2007; Awio, Lawrence & Northcott, 2007; Kattan, Pike & Tayles, 2007; Kholeif, Abdel-Kader & Sherer, 2007; Tambulasi, 2007).

By employing a social constructionist approach based on an interpretive methodology in a developing country context, this study enhances the understanding of accounting in a developing country context. In interpretive methodology, the author is part of the reality he or she records. The researcher interacts with the researched and attempts to capture their understanding of reality. It is on such understandings that interpretations of individual actions are based.

Burns and Scapens (2000), Burns (2000), Soin et al. (2002) and Scapens (2006) have posited that scholars have paid little attention in accounting to the micro processes of institutionalization. A focus on organizational actors is essential to understand the contradictions that trigger the creation of new practices (Seo & Creed, 2002; Lounsbury, 2008). The current study attempts to identify institutional contradictions that trigger MACS changes within a privatized TFL. The next section briefly discusses the institutional theory utilized for the study.

1.2.0 Institutional Theory

Institutional theory, according to Lounsbury (2008), is one of the most dominant perspectives in organizational analysis. The use of institutional theory applied to MACS has been popularized by Scapens (1994), Burns and Scapens (2000), Soin et al., (2002) and Scapens (2006). In this perspective, accounting is not simply a technical device applied neutrally to assist management with decision making but is the product of a particular organizational culture which, in turn, is embedded in and influenced by a broader set of institutional arrangements.

Management control practices are often institutionalized to gain legitimacy from external constituents such as government (Kloot & Martin, 2000; Modell, 2001; Collier, 2001; Carpenter & Feroz, 2001). Studies of the institutionalization of organizational practices tend to explain isomorphism, that is, similarity in accounting rules and routines which become accepted unquestioningly by organizational participants. However, the emphasis of this thesis is on a study of organizational actors and the micro processes of institutionalization which encompass concepts of rules and routines in the actors' social interactions. Rules are

formalized ways in which things ought to be done while routines demonstrate the patterns of thought and action habitually adopted by groups of individuals (Burns & Scapens, 2000). The next section sets out the aims and objectives of the study.

1.3.0 Aims and Objectives of the Study

The thesis raises questions as to how to refine and extend institutional theory which has often been associated with institutional embeddedness (stability). Beckert's (1999), Burns and Scapens' (2000), Seo and Creed's (2002) and Dorado's (2005) theorization is followed which claims that institutional theory encompasses a dialectical and processual view of organizational change. The thesis examines how MACS changes are a function of external change agents and institutional entrepreneurs (internal change agents within an organization). The term 'institutional entrepreneur' is used to refer to a person internal to an organization that may bring about necessary change in organizational practices and includes members such as management team, steering committee, CEO, Finance Team and so on. The term change agents normally refers to external change agents who are external to an organization such as consultants. They come from outside, as non-participants of the old culture and carriers of a new one and are looked upon as external agents. The external agents such as consultants try to make people within the organization envision alternative modes of thinking. These carriers of new ideas, whose professional task is to translate general ideas into local settings, might be understood as "merchants of meaning" (Czarniawska-Joerges, 1990).

The study is a longitudinal study encompassing a period of 1989 to 2006. As such it is a study on corporatized Fiji Posts and Telecommunications Limited (FPTL) (from 1989 to 1996), and TFL (from 1996 onwards). The Post Fiji Limited was separated from FPTL in 1996 and the latter changed its name to Telecom Fiji Limited (TFL) since then.

1.3.1 Research Question

The objectives noted above can be restated in the form of the following research questions:

“If institutions are defined by their stability, how is it possible to explain MACS change in a developing country context?¹ If actors’ behaviour is influenced by institutionalized MACS rules and routines, how is it possible for actors in a developing country organisation to change those MACS rules and routines?”

To address these questions, the following sub-questions are formulated:

1. How were new MACS practices institutionalised at TFL?
2. Which people were involved in developing and implementing changes?
3. Were the changes undertaken for the purpose of external legitimation? If so, to what extent did they affect internal operations and “efficiency”?
4. How can institutional theory be extended to the level of actors, that is, how can the theory explain the actors’ response to the MACS change process?
5. Was any resistance to MACS change apparent?

1.4.0 The Choice of the Empirical Site: Telecom Fiji Limited

Telecom Fiji Limited (TFL) was chosen as it was one of the first public sector enterprises in Fiji to be fully privatised and listed on the South Pacific Stock Exchange through its parent company, Amalgamated Telecom Holdings Limited (ATH).

TFL was chosen for the study as it had MACS changes in place and management agreed to participate in the study. The next section discusses the background information on TFL.

1.4.1 Background Information on TFL

TFL is the sole provider of local and national (trunk) telephone services in Fiji. The company owns the only public switched telephone network in Fiji. TFL’s network constitutes 55 telephone exchanges throughout Fiji, connecting more than 101,000 customers (Telecom Fiji website, www.telecomfiji.com.fj, 2004).

With regards to international telecommunications, the services were in the hands of the British-owned Cable and Wireless Limited until 1976 (Commerce Commission, 2005). The

¹ An institution is a way of thought or action of some prevalence and permanence, which is embedded in the habits or customs of people (Hamilton, 1932).

government acquired 51 percent of shares in this company which is managed by Amalgamated Telecom Holdings Limited (ATH).

In 2002, the government floated its stock in ATH to the general public at an IPO of \$1.06 per share. The general public owns almost 7.2% of shares in the ATH, while the government holds 34.6% shares. The Fiji National Provident Fund has increased its shareholding to 58.2%.² ATH was formally listed on the South Pacific Stock Exchange in Fiji on 18 April, 2002 (Telecom Fiji website, 2004). Amalgamated Telecom Holdings fully owns TFL. TFL describes its vision statement as “Telecom Fiji, bringing the best of telecommunications to the Pacific” (TFL website, 2004). The mission statement of the company is to:

- “- provide telecommunication products and services that our customers value;
- strive for excellence in everything we do;
- develop a capable workforce by rewarding superior performance and
- grow shareholder value” (ATH annual report, 2005).

In April 2002, Internet Services Fiji Ltd (operating as Connect) was set up to take over internet service provision at the retail level from TFL. TransTel Limited was formed on April 2003 to market and sell prepaid calling and internet cards and manage all public booths on behalf of TFL.

Vodafone Fiji Limited (Vodafone) was incorporated in 1993 in the form of a joint venture between Vodafone Europe BV Holdings (49%) and TFL. The latter has assigned part of its domestic licence which deals with mobile communication to its subsidiary in which it has 51% shareholding. Xceed Pasifica was formed in April 2003, taking over from TFL all customer premises equipment and related activities such as cabling. Fiji Directories Limited was set up as a joint venture between FPTL (90%), and Edward O’Brien Ltd (10%) in 1993 moved to ATH in December 2002 (Telecom Fiji website, 2004). Appendix 1 provides the corporate ownership structure of ATH.

² The Fiji National Provident Fund is a superannuation scheme for workers in Fiji. Both the employer and the employee each contribute 8% of gross wages to the Fiji National Provident Fund.

TFL had a total of 849 staff as at the end of 2007, including salaried, contract and unestablished (casual) employees. Its annual turnover was approximately F\$130 million (NZ\$104 million) with a net profit after tax of F\$24 million (NZ\$19.2 million) (ATH annual report, 2007).

1.5.0 The Structure of the Study

The thesis is presented in ten chapters as follows:

Chapter One: An Overview of the Thesis

Chapter one introduces the study by providing the nature and background of the research. It also elaborates upon the research objectives and the importance of the study. This chapter discusses the contribution of the thesis to the developing country and institutional theory literature.

Chapter Two: Literature Review

Chapter two provides a review of the literature on accounting and control changes, including that from developing countries. The chapter categorises the literature into four themes, including works dealing with emerging economy literature on accounting and control, management accounting change at organizational level and at organizational field level, Total Quality Management, and resistance to accounting change.³ The chapter aims to clarify the rationale for the thesis by indicating its location in management accounting and control system change literature in both developed and developing countries.

Chapter Three: Methodology, Theory and Methods

Chapter three outlines the methodology, theory and method of research. The chapter argues that methodological choices are inevitable in any research endeavour and it is important for researchers to clarify up-front their methodological orientation. The chapter argues for the relevance of institutional perspectives to help in providing a holistic understanding of the organizational and control changes at TFL. It outlines the exploratory case study method that forms the principal tool for empirical evidence interpretation and theorization in this project.

³ Organisational field level includes constituents such as the government, sources of funding, professional and trade associations, special interest groups and the general public. Scott (1991) conceives organisational field as any constituent which imposes a coercive, normative or mimetic influence on the organisation. Organisational level refers to the study of actors' actions within an organisation.

The chapter also discusses the specific evidence collection procedures which were employed to accomplish an empirical understanding of TFL's accounting and control changes; these include interviews and document analysis.

Chapter Four: Background to the Cultural, Political and Economic Systems of Fiji.

Chapter four discusses the overview of the wider structures and their historical significance within which TFL is embedded. It notes that Fiji has been facing political crisis since the military coups of 1987. The chapter also examines Fiji's cultural context in accordance to Hofstede's (1980) four distinct dimensions, and reports that Fijian culture exhibits some features suggestive of large power distance, collectivism, femininity and strong uncertainty avoidance. The rigid codes of beliefs and behaviour are maintained although members are intolerant towards deviant persons and ideas. Ethnic Fijian individuals can expect their relatives, clan or other social groups to look after them in exchange for unquestioning loyalty within their tightly knit social framework. Whilst the Indo-Fijians are characterized by a loose knit social framework when compared to Fijians, they (Indo-Fijians) are still devoted to their ancestral and customary practices to support (either financially or socially) their individual family members. The Indo-Fijians society is characterized by high uncertainty avoidance and is embedded with a culture of silence like that of the Fijians. The aim is to examine whether the cultural forces impedes/ promotes change within TFL.

Chapter Five: Public Sector Reform in Fiji

Chapter five examines the public sector reform in Fiji. It was in the 1980s that the Fiji government began to dismantle state controls in Fiji vis-a-vis its public sector reform policy. The government's expectation was that the restructuring of enterprises would improve performance. Reformed entities would add more revenue in the government's coffers in the form of 31% corporate taxes and dividends which would escalate government revenues. Institutional theories suggest that a determinant of organisational structure is the pressure exerted on the organization by external constituencies such as the State to conform with a set of expectations in order to gain legitimacy and to secure access to vital resources and long term survival. The chapter demonstrates that the Department of Public Enterprises was set up in Fiji to monitor activity in public sector enterprises and to influence public enterprises to adopt commercial practices. Some changes to the policy of reforms occurred because of change in governments and the associated political instability. Nevertheless, the current interim government remains committed to the reforms.

Chapter Six: Legislative and Regulative Framework for Fiji Posts and Telecommunications Limited (TFL now)

Chapter six examines the background information on the legislative and regulatory framework introduced by the Fijian government to corporatise Fiji Posts and Telecommunications Limited (FPTL). The background outlined in this chapter is essential for understanding the empirical evidence outlined in the later chapters. The chapter attempts to use institutional theory to identify the exogenous and endogenous institutional forces which influence FPTL's operations. The chapter considers the Posts and Telecommunications Decree of 1989, the corporatisation of the Posts and Telecommunications Department (P&T) in 1990, the appointment of a new board of directors with business expertise in 1991, a review undertaken by consultants in 1992, and the formation of the Commerce Commission. The chapter delineates the social and institutional influences within which FPTL is embedded. For example, the corporatisation of Post and Telecommunications Department (P&T) was invoked by the state on the advice of the World Bank which was a source of coercive pressure on the government to accelerate public enterprise reforms.

Chapter Seven: New Public Sector Environment and Resistance to Change at FPTL

This chapter explores the changes that FPTL actors made which were stimulated by an external "jolt" (Laughlin, 1991) from the Fiji government's public sector reform policy. The focus of the chapter is to examine some of the intra-organisational or micro changes that took place at FPTL. The chapter aims to identify changes in institutional routines, using a framework based on the notion of institutional contradiction (Seo & Creed, 2002).

These changes have been in line with the new public management initiatives introduced elsewhere. The chapter discusses the chain of events from 1990-1996, which encompasses P&T's corporatisation and some resistance that was expressed by employees due to cultural and political rationalization that affected the pathway to change. Once the resistance eased, separation of Post Fiji from FPTL came about.

Empirical evidence collected suggests that during pre-corporatisation, P&T offered postal and telecommunications services as a public service in order to appear legitimate to the state and the public. However, with corporatisation the public service norms were replaced with

business norms. Resistance was expressed during the process of change to commercial norms. Those accepting changes received rewards in the form of bonuses and salary increases. The management and directors became influential while those who resisted change eventually became silent. The evidence of the chapter suggests that the process of change was implemented as a response to pressure for a managerialist or corporate culture.

Chapter Eight: The Role of Accounting in the Corporatisation and Privatisation of TFL

This chapter focuses on the role of MACS in the corporatization and privatization of TFL. Changes in accounting at TFL stemmed from the Fijian government's public sector reform policy.

The exposure of institutional contradiction with the government's cash-based accounting paved the way for commercial accounting practices. As institutional entrepreneurs, the Finance Manager and the Finance Strategic Business Unit team were involved in the crafting of new commercial business accounting. Some external change agents such as overseas based consultants were also involved in the change process. Decisions were made based on measures of net present value, economic value added, pay back period amongst others.

Changes in the accounting systems were a consequence of institutional contradiction and isomorphic response to pressures from the parent company and consultants. ATH is a source of coercive pressure on its subsidiaries, including TFL. The chapter addresses the role of agents in shaping accounting practices and routinising institutional change.

Chapter Nine: Routinisation of TQM practices at TFL

This chapter focuses on the introduction of TQM practices at TFL and traces the development of TQM over the period of 1994 to 2006, in order to explore the effectiveness of TQM practices within TFL. TQM illustrates MACS change in that incentive pay, for example, can have an impact on TQM practices on customer and quality performance (Sim & Killough, 1998). Chenhall (2003) notes that TQM practices is associated with MACS including timely externally focused information and close interaction between strategy and non-financial performance measurement. TFL employees were granted quarterly bonuses on achievement of TQM related targets like customer satisfaction. The aim of adopting TQM practices was to promote change within TFL that would improve performance in terms of both efficiency and effectiveness. However, the effect of TQM practices would depend on the level of

perceived acceptance and routinised use by organizational members. The chapter draws on concepts from institutional theory to explicate the institutionalization of TQM practices by organizational members within TFL.

Cultural issues played a pivotal role in TQM introduction and the silent cultural patterns and large power distance exhibited by Fijian society were used by management to introduce TQM practices. There was subtle resistance to the TQM innovation.

TQM routines were enacted and reproduced by organisational members. The encoding, enactment, reproduction and institutionalization process of TQM practices by TFL members describes TQM routinisation at TFL based on institutional conformity. The encoding, enactment, reproduction, and institutionalization framework describes the process through which TQM routines enter TFL, organizational members use TQM routines, and the managers describe the organisational use of TQM routines. TQM routines have been conceptualized as institutional change. DiMaggio and Powell (1991), Tolbert and Zucker (1996), Johnson, Smith and Codling (2000) and Burns and Scapens (2000) underscore the claim that scholars have paid little attention to the micro processes of institutionalization. TQM routinisation in this chapter contributes to ways of addressing the omission.

Chapter Ten: Discussion/Conclusion

This chapter discusses the empirical evidence collected in relation to institutional theory and the contribution the thesis makes to the literature. It identifies the limitations of the study and the institutional theory and identifies future research possibilities. The chapter eventually ends the thesis by providing a summary of the major points of discussion and conclusions.

**CONTEXT AND CHANGE IN MANAGEMENT
ACCOUNTING AND CONTROL SYSTEMS: A
CASE STUDY OF TELECOM FIJI LIMITED**

A thesis
submitted in fulfilment
of the requirements for the degree
of
Doctor of Philosophy
at the
University of Waikato
by
Umesh Prasad Sharma

The University of Waikato

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Abstract

This thesis aims to contribute to research in management accounting and control systems (MACS) in a developing country context: that of Fiji. It seeks to gain a theoretical understanding of how MACS reflect the social and political contexts in which they operate by using a case study of Telecom Fiji Limited (a major supplier of telephone communications in Fiji). The definition of “MACS” for the purpose of the thesis is broad- a social constructivist perspective is adopted in which systems are used to align employee behaviour with organisational objectives and to assist external relationships (with the State, Commerce Commission, aid agencies and customers). The thesis draws on institutional theory while raising questions as to how to refine and extend institutional theory. This theory has often been associated with institutional embeddedness (stability). The social constructivist approach helps to incorporate agency and cultural issues normally missing in conventional applications of institutional theory to accounting change.

Telecom Fiji Limited (TFL) was restructured under the Fiji government’s public sector reforms. Such reforms were insisted upon by the international financial agencies of the World Bank, the Asian Development Bank and the International Monetary Fund. Under the reform policy, TFL was transformed from a government department into a corporatised organisation and was subsequently privatised. The MACS changes which eventuated helped to change TFL management and employees’ interpretive schemes. However, employees resisted initial changes to commercial business routines and it took some years for TFL actors to assimilate commercial practices. While the literature dealing with MACS changes has mostly portrayed changes as occurring with little resistance, MACS changes at TFL took several years to become institutionalised, partly because of cultural and political factors specific to Fiji.

The study has practice implications as it shows that management accountants can act as institutional entrepreneurs in organisations, shaping new accounting technologies in reformed entities, and changing actors’ interpretive schemes. The study has implications for policy makers, consultants and other stakeholders in terms of promoting a need for better understanding of the sensitivity to cultural and political circumstances in Less Developed Countries (LDC’s) like Fiji in relation to the introduction of MACS changes. The study has implications for other recently corporatized/ privatised and state-sector organisations in Fiji and elsewhere. It also has implications for other researchers as institutional theory can be refined on the basis of new empirical evidence.

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Explanation of Terms and Abbreviations used in the Thesis

ABC- Activity Based Costing
ABM- Activity Based Management
ADB- Asian Development Bank
ATH- Amalgamated Telecom Holdings Limited
CEO- Chief Executive Officer
CSA- Commercial Statutory Authorities
CSR- Colonial Sugar Refinery Company
DCF- Discounted Cash Flow
DRG- Diagnostic Related Groups
EVA- Economic Value Added
FEA- Fiji Electricity Authority
FNPF- Fiji National Provident Fund
FPTL- Fiji Posts and Telecommunications Limited
GCC- Government Commercial Company
GDP- Gross Domestic Product
GE- General Electric
GNP- Gross National Product
IKA Corporation- Fish Canning Company
IMF- International Monetary Fund
IndoFijians- Migrants from India under the indenture system
IPO- Initial Public Offer
KPIs- Key Performance Indicators
LDCs- Less Developed Countries
MACS- Management Accounting and Control System
Mataqali- Sub-clan or extended family unit owning the land
Native Land Trust Board- Trustees of the native lands in Fiji belonging to the indigenous Fijian landowners
NIS- New Institutional Sociology
NLTB- the Native Land Trust Board
NP= Nuovo Pignone
NPM- New Public Management
NPV- Net Present Value

P&T- Posts and Telecommunications Department
P & T Decree- the Post and Telecommunications Decree
PMS- Performance Management System
Qoliqoli bill- a bill which looks at ownership of coastal and marine resources by
the tribes in Fiji
ROI- Return on Investment
Roko Tui- Head of a Province
Rotumans- People of the island of Rotuma
SBU- Strategic Business Unit
SCF- Save the Children Fiji
SDL- Soqosoqo Duavata Lewanivanua Party
SOE- State Owned Enterprises
TFL- Telecom Fiji Limited
TQM- Total Quality Management
UK- United Kingdom
USA- United States of America
USSR- Union of Soviet Socialist Republic
Vanua- Formed of the agnatic descendants of a common ancestor living in the
same general area
VRA- Volta River Authority

Chapter 1: Overview of Thesis

1.1.0 Introduction

Accounting practice is seen as being an integral part of organizational culture and the wider social and institutional context in which it functions (Hopwood, 1983, 1999; Alam, 1997; Hoque & Hopper, 1997; Hoque & Alam, 1999; Euske & Riccaboni, 1999; Brignall & Modell, 2000; Perera, McKinnon & Harrison, 2003; Hussain & Hoque, 2002). The accounting literature has recognized the importance of culture and politics. For example, Alawattage, Hopper and Wickramasinghe (2007) and Wickramasinghe and Hopper (2005) point out that accounting researchers, particularly in less developed countries, need to address the issues of culture and politics and how accounting is intertwined within these influences.

This thesis seeks to gain a theoretical understanding of how management accounting and control systems (MACS) are a part of the social and political context in which they operate by using a case study in Telecom Fiji Limited (a major supplier of telephone communications in Fiji). The thesis draws on institutional theory. It raises questions as to how to refine and extend institutional theory since this theory has often been associated with institutional embeddedness (stability) rather than change. A social constructivist approach is followed which helps to incorporate agency and cultural issues normally missing in conventional application of institutional theory to accounting changes.

The definition of “MACS” for the purpose of this thesis is broad- a system used to align employee behavior with organizational objectives and to assist external relationships (with the State, Commerce Commission, aid agencies and customers). The cultural and political forces are relevant to accounting in a developing country context in a Fijian Telecom company which was initially a government department and was subsequently corporatised and privatized. The thesis focuses on analysing the management accounting and control system changes at Telecom Fiji Limited (TFL) and examines how TFL was restructured under Fiji government’s public sector reform policy insisted upon by the

international financial agencies of the World Bank, the Asian Development Bank and the International Monetary Fund. Initial change to commercial MACS routines was resisted and it took some years for TFL actors to assimilate commercial MACS routines when the organization was corporatised. The literature dealing with MACS changes has mostly portrayed changes as occurring without much resistance (Abernethy & Chua, 1996; Busco, Riccaboni & Scapens, 2006). However, MACS changes at TFL took several years to be institutionalized, partly because of cultural and political factors specific to Fiji.

The development in the public sector in Fiji led the researcher to study accounting as part of social and organizational change in a telecommunication company in Fiji, Telecom Fiji Limited (TFL). MACS is considered to be part and parcel of changes affecting public sector enterprises. MACS provides a useful means of recording, communicating and interpreting daily activities.

Accountants were proactive at TFL and were instrumental in designing new accounting and control tools for management such as budgeting, net present value analysis and economic value added analysis for projects. Such techniques were absent when TFL was a government department. Expenditure for projects was then based on the needs of the public rather than accounting techniques to justify the maximization of wealth for shareholders.

The thesis also focuses on analysing the changes surrounding the introduction of a management control technique: Total Quality Management (TQM) within TFL. TQM is related to MACS in that incentive pay, for example, can have an impact on TQM practices on customer and quality performance (Sim & Killough, 1998; Chenhall, 2003). Chenhall (2003) notes that TQM practice is associated with MACS including timely externally focused information and close interaction between strategy and non-financial performance measurement. The literature on TQM practices tends to be outcome oriented and only a few studies employ a processual approach to TQM practice implementation.

Accounting researchers have been inspired to investigate accounting in action by utilizing interpretive and critical perspectives grounded in the works of social theorists such as Habermas and Giddens (Laughlin, 1988; Lawrence, 1990, 1999).

Such studies have, however, mainly focused on the western industrialized societies as their empirical focus with the exception of some case studies in developing countries (e.g., Hoque & Hopper, 1994; Rahaman & Lawrence, 2001; Sharma & Lawrence, 2005; Alawattage et al., 2007; Mimba, Helden & Tillema, 2007; Awio, Lawrence & Northcott, 2007; Kattan, Pike & Tayles, 2007; Kholeif, Abdel-Kader & Sherer, 2007; Tambulasi, 2007).

By employing a social constructionist approach based on an interpretive methodology in a developing country context, this study enhances the understanding of accounting in a developing country context. In interpretive methodology, the author is part of the reality he or she records. The researcher interacts with the researched and attempts to capture their understanding of reality. It is on such understandings that interpretations of individual actions are based.

Burns and Scapens (2000), Burns (2000), Soin et al. (2002) and Scapens (2006) have posited that scholars have paid little attention in accounting to the micro processes of institutionalization. A focus on organizational actors is essential to understand the contradictions that trigger the creation of new practices (Seo & Creed, 2002; Lounsbury, 2008). The current study attempts to identify institutional contradictions that trigger MACS changes within a privatized TFL. The next section briefly discusses the institutional theory utilized for the study.

1.2.0 Institutional Theory

Institutional theory, according to Lounsbury (2008), is one of the most dominant perspectives in organizational analysis. The use of institutional theory applied to MACS has been popularized by Scapens (1994), Burns and Scapens (2000), Soin et al., (2002) and Scapens (2006). In this perspective, accounting is not simply a technical device applied neutrally to assist management with decision making but is the product of a particular organizational culture which, in turn, is embedded in and influenced by a broader set of institutional arrangements.

Management control practices are often institutionalized to gain legitimacy from external constituents such as government (Kloot & Martin, 2000; Modell, 2001;

Collier, 2001; Carpenter & Feroz, 2001). Studies of the institutionalization of organizational practices tend to explain isomorphism, that is, similarity in accounting rules and routines which become accepted unquestioningly by organizational participants. However, the emphasis of this thesis is on a study of organizational actors and the micro processes of institutionalization which encompass concepts of rules and routines in the actors' social interactions. Rules are formalized ways in which things ought to be done while routines demonstrate the patterns of thought and action habitually adopted by groups of individuals (Burns & Scapens, 2000). The next section sets out the aims and objectives of the study.

1.3.0 Aims and Objectives of the Study

The thesis raises questions as to how to refine and extend institutional theory which has often been associated with institutional embeddedness (stability). Beckert's (1999), Burns and Scapens' (2000), Seo and Creed's (2002) and Dorado's (2005) theorization is followed which claims that institutional theory encompasses a dialectical and processual view of organizational change. The thesis examines how MACS changes are a function of external change agents and institutional entrepreneurs (internal change agents within an organization). The term 'institutional entrepreneur' is used to refer to a person internal to an organization that may bring about necessary change in organizational practices and includes members such as management team, steering committee, CEO, Finance Team and so on. The term change agents normally refers to external change agents who are external to an organization such as consultants. They come from outside, as non-participants of the old culture and carriers of a new one and are looked upon as external agents. The external agents such as consultants try to make people within the organization envision alternative modes of thinking. These carriers of new ideas, whose professional task is to translate general ideas into local settings, might be understood as "merchants of meaning" (Czarniawska-Joerges, 1990).

The study is a longitudinal study encompassing a period of 1989 to 2006. As such it is a study on corporatized Fiji Posts and Telecommunications Limited (FPTL) (from 1989 to 1996), and TFL (from 1996 onwards). The Post Fiji Limited was

separated from FPTL in 1996 and the latter changed its name to Telecom Fiji Limited (TFL) since then.

1.3.1 Research Question

The objectives noted above can be restated in the form of the following research questions:

“If institutions are defined by their stability, how is it possible to explain MACS change in a developing country context?¹ If actors’ behaviour is influenced by institutionalized MACS rules and routines, how is it possible for actors in a developing country organisation to change those MACS rules and routines?”

To address these questions, the following sub-questions are formulated:

1. How were new MACS practices institutionalised at TFL?
2. Which people were involved in developing and implementing changes?
3. Were the changes undertaken for the purpose of external legitimation? If so, to what extent did they affect internal operations and “efficiency”?
4. How can institutional theory be extended to the level of actors, that is, how can the theory explain the actors’ response to the MACS change process?
5. Was any resistance to MACS change apparent?

1.4.0 The Choice of the Empirical Site: Telecom Fiji Limited

Telecom Fiji Limited (TFL) was chosen as it was one of the first public sector enterprises in Fiji to be fully privatised and listed on the South Pacific Stock Exchange through its parent company, Amalgamated Telecom Holdings Limited (ATH).

TFL was chosen for the study as it had MACS changes in place and management agreed to participate in the study. The next section discusses the background information on TFL.

¹ An institution is a way of thought or action of some prevalence and permanence, which is embedded in the habits or customs of people (Hamilton, 1932).

1.4.1 Background Information on TFL

TFL is the sole provider of local and national (trunk) telephone services in Fiji. The company owns the only public switched telephone network in Fiji. TFL's network constitutes 55 telephone exchanges throughout Fiji, connecting more than 101,000 customers (Telecom Fiji website, www.telecomfiji.com.fj, 2004).

With regards to international telecommunications, the services were in the hands of the British-owned Cable and Wireless Limited until 1976 (Commerce Commission, 2005). The government acquired 51 percent of shares in this company which is managed by Amalgamated Telecom Holdings Limited (ATH).

In 2002, the government floated its stock in ATH to the general public at an IPO of \$1.06 per share. The general public owns almost 7.2% of shares in the ATH, while the government holds 34.6% shares. The Fiji National Provident Fund has increased its shareholding to 58.2%.² ATH was formally listed on the South Pacific Stock Exchange in Fiji on 18 April, 2002 (Telecom Fiji website, 2004). Amalgamated Telecom Holdings fully owns TFL. TFL describes its vision statement as "Telecom Fiji, bringing the best of telecommunications to the Pacific" (TFL website, 2004). The mission statement of the company is to:

- provide telecommunication products and services that our customers value;
- strive for excellence in everything we do;
- develop a capable workforce by rewarding superior performance and
- grow shareholder value" (ATH annual report, 2005).

In April 2002, Internet Services Fiji Ltd (operating as Connect) was set up to take over internet service provision at the retail level from TFL. TransTel Limited was formed on April 2003 to market and sell prepaid calling and internet cards and manage all public booths on behalf of TFL.

² The Fiji National Provident Fund is a superannuation scheme for workers in Fiji. Both the employer and the employee each contribute 8% of gross wages to the Fiji National Provident Fund.

Vodafone Fiji Limited (Vodafone) was incorporated in 1993 in the form of a joint venture between Vodafone Europe BV Holdings (49%) and TFL. The latter has assigned part of its domestic licence which deals with mobile communication to its subsidiary in which it has 51% shareholding. Xceed Pasifica was formed in April 2003, taking over from TFL all customer premises equipment and related activities such as cabling. Fiji Directories Limited was set up as a joint venture between FPTL (90%), and Edward O'Brien Ltd (10%) in 1993 moved to ATH in December 2002 (Telecom Fiji website, 2004). Appendix 1 provides the corporate ownership structure of ATH.

TFL had a total of 849 staff as at the end of 2007, including salaried, contract and unestablished (casual) employees. Its annual turnover was approximately F\$130 million (NZ\$104 million) with a net profit after tax of F\$24 million (NZ\$19.2 million) (ATH annual report, 2007).

1.5.0 The Structure of the Study

The thesis is presented in ten chapters as follows:

Chapter One: An Overview of the Thesis

Chapter one introduces the study by providing the nature and background of the research. It also elaborates upon the research objectives and the importance of the study. This chapter discusses the contribution of the thesis to the developing country and institutional theory literature.

Chapter Two: Literature Review

Chapter two provides a review of the literature on accounting and control changes, including that from developing countries. The chapter categorises the literature into four themes, including works dealing with emerging economy literature on accounting and control, management accounting change at organizational level and at organizational field level, Total Quality Management, and resistance to accounting change.³ The chapter aims to clarify the rationale for

³ Organisational field level includes constituents such as the government, sources of funding, professional and trade associations, special interest groups and the general public. Scott (1991) conceives organisational field as any constituent which imposes a coercive, normative or mimetic influence on the organisation. Organisational level refers to the study of actors' actions within an organisation.

the thesis by indicating its location in management accounting and control system change literature in both developed and developing countries.

Chapter Three: Methodology, Theory and Methods

Chapter three outlines the methodology, theory and method of research. The chapter argues that methodological choices are inevitable in any research endeavour and it is important for researchers to clarify up-front their methodological orientation. The chapter argues for the relevance of institutional perspectives to help in providing a holistic understanding of the organizational and control changes at TFL. It outlines the exploratory case study method that forms the principal tool for empirical evidence interpretation and theorization in this project. The chapter also discusses the specific evidence collection procedures which were employed to accomplish an empirical understanding of TFL's accounting and control changes; these include interviews and document analysis.

Chapter Four: Background to the Cultural, Political and Economic Systems of Fiji.

Chapter four discusses the overview of the wider structures and their historical significance within which TFL is embedded. It notes that Fiji has been facing political crisis since the military coups of 1987. The chapter also examines Fiji's cultural context in accordance to Hofstede's (1980) four distinct dimensions, and reports that Fijian culture exhibits some features suggestive of large power distance, collectivism, femininity and strong uncertainty avoidance. The rigid codes of beliefs and behaviour are maintained although members are intolerant towards deviant persons and ideas. Ethnic Fijian individuals can expect their relatives, clan or other social groups to look after them in exchange for unquestioning loyalty within their tightly knit social framework. Whilst the Indo-Fijians are characterized by a loose knit social framework when compared to Fijians, they (Indo-Fijians) are still devoted to their ancestral and customary practices to support (either financially or socially) their individual family members. The Indo-Fijians society is characterized by high uncertainty avoidance and is embedded with a culture of silence like that of the Fijians. The aim is to examine whether the cultural forces impedes/ promotes change within TFL.

Chapter Five: Public Sector Reform in Fiji

Chapter five examines the public sector reform in Fiji. It was in the 1980s that the Fiji government began to dismantle state controls in Fiji vis-a-vis its public sector reform policy. The government's expectation was that the restructuring of enterprises would improve performance. Reformed entities would add more revenue in the government's coffers in the form of 31% corporate taxes and dividends which would escalate government revenues. Institutional theories suggest that a determinant of organisational structure is the pressure exerted on the organization by external constituencies such as the State to conform with a set of expectations in order to gain legitimacy and to secure access to vital resources and long term survival. The chapter demonstrates that the Department of Public Enterprises was set up in Fiji to monitor activity in public sector enterprises and to influence public enterprises to adopt commercial practices. Some changes to the policy of reforms occurred because of change in governments and the associated political instability. Nevertheless, the current interim government remains committed to the reforms.

Chapter Six: Legislative and Regulative Framework for Fiji Posts and Telecommunications Limited (TFL now)

Chapter six examines the background information on the legislative and regulatory framework introduced by the Fijian government to corporatise Fiji Posts and Telecommunications Limited (FPTL). The background outlined in this chapter is essential for understanding the empirical evidence outlined in the later chapters. The chapter attempts to use institutional theory to identify the exogenous and endogenous institutional forces which influence FPTL's operations. The chapter considers the Posts and Telecommunications Decree of 1989, the corporatisation of the Posts and Telecommunications Department (P&T) in 1990, the appointment of a new board of directors with business expertise in 1991, a review undertaken by consultants in 1992, and the formation of the Commerce Commission. The chapter delineates the social and institutional influences within which FPTL is embedded. For example, the corporatisation of Post and Telecommunications Department (P&T) was invoked by the state on the advice of the World Bank which was a source of coercive pressure on the government to accelerate public enterprise reforms.

Chapter Seven: New Public Sector Environment and Resistance to Change at FPTL

This chapter explores the changes that FPTL actors made which were stimulated by an external “jolt” (Laughlin, 1991) from the Fiji government’s public sector reform policy. The focus of the chapter is to examine some of the intra-organisational or micro changes that took place at FPTL. The chapter aims to identify changes in institutional routines, using a framework based on the notion of institutional contradiction (Seo & Creed, 2002).

These changes have been in line with the new public management initiatives introduced elsewhere. The chapter discusses the chain of events from 1990-1996, which encompasses P&T’s corporatisation and some resistance that was expressed by employees due to cultural and political rationalization that affected the pathway to change. Once the resistance eased, separation of Post Fiji from FPTL came about.

Empirical evidence collected suggests that during pre-corporatisation, P&T offered postal and telecommunications services as a public service in order to appear legitimate to the state and the public. However, with corporatisation the public service norms were replaced with business norms. Resistance was expressed during the process of change to commercial norms. Those accepting changes received rewards in the form of bonuses and salary increases. The management and directors became influential while those who resisted change eventually became silent. The evidence of the chapter suggests that the process of change was implemented as a response to pressure for a managerialist or corporate culture.

Chapter Eight: The Role of Accounting in the Corporatisation and Privatisation of TFL

This chapter focuses on the role of MACS in the corporatization and privatization of TFL. Changes in accounting at TFL stemmed from the Fijian government’s public sector reform policy.

The exposure of institutional contradiction with the government’s cash-based accounting paved the way for commercial accounting practices. As institutional

entrepreneurs, the Finance Manager and the Finance Strategic Business Unit team were involved in the crafting of new commercial business accounting. Some external change agents such as overseas based consultants were also involved in the change process. Decisions were made based on measures of net present value, economic value added, pay back period amongst others.

Changes in the accounting systems were a consequence of institutional contradiction and isomorphic response to pressures from the parent company and consultants. ATH is a source of coercive pressure on its subsidiaries, including TFL. The chapter addresses the role of agents in shaping accounting practices and routinising institutional change.

Chapter Nine: Routinisation of TQM practices at TFL

This chapter focuses on the introduction of TQM practices at TFL and traces the development of TQM over the period of 1994 to 2006, in order to explore the effectiveness of TQM practices within TFL. TQM illustrates MACS change in that incentive pay, for example, can have an impact on TQM practices on customer and quality performance (Sim & Killough, 1998). Chenhall (2003) notes that TQM practices is associated with MACS including timely externally focused information and close interaction between strategy and non-financial performance measurement. TFL employees were granted quarterly bonuses on achievement of TQM related targets like customer satisfaction. The aim of adopting TQM practices was to promote change within TFL that would improve performance in terms of both efficiency and effectiveness. However, the effect of TQM practices would depend on the level of perceived acceptance and routinised use by organizational members. The chapter draws on concepts from institutional theory to explicate the institutionalization of TQM practices by organizational members within TFL.

Cultural issues played a pivotal role in TQM introduction and the silent cultural patterns and large power distance exhibited by Fijian society were used by management to introduce TQM practices. There was subtle resistance to the TQM innovation.

TQM routines were enacted and reproduced by organisational members. The encoding, enactment, reproduction and institutionalization process of TQM practices by TFL members describes TQM routinisation at TFL based on institutional conformity. The encoding, enactment, reproduction, and institutionalization framework describes the process through which TQM routines enter TFL, organizational members use TQM routines, and the managers describe the organisational use of TQM routines. TQM routines have been conceptualized as institutional change. DiMaggio and Powell (1991), Tolbert and Zucker (1996), Johnson, Smith and Codling (2000) and Burns and Scapens (2000) underscore the claim that scholars have paid little attention to the micro processes of institutionalization. TQM routinisation in this chapter contributes to ways of addressing the omission.

Chapter Ten: Discussion/Conclusion

This chapter discusses the empirical evidence collected in relation to institutional theory and the contribution the thesis makes to the literature. It identifies the limitations of the study and the institutional theory and identifies future research possibilities. The chapter eventually ends the thesis by providing a summary of the major points of discussion and conclusions.

Chapter 2: Literature Review: Management Accounting and Control System Changes

2.1.0 Introduction

This chapter provides a discussion of the relevant literature in order to situate the thesis. It aims to provide a descriptive account of literature on MACS. The intention here is to point out the views of various researchers in the field and to point out omissions in terms of themes, methodologies and methods. The chapter categorises the literature into four themes: emerging economy literature on MACS; MACS change at the organisational level and at the organisational field level⁴; Total Quality Management which was introduced at TFL; and resistance to accounting change. The chapter clarifies the rationale for the thesis by indicating its location in management accounting and control system change literature on both developed and developing countries. The next section discusses the MACS literature in less developed countries.

2.2.0 Theme One: Literature on Management Accounting and Control Systems in Less Developed Countries

As this research stems from an interest in management accounting and control system changes in developing countries, this section reviews such literature on this topic. According to Perera (1989), accounting in developing countries has been inherited from the developed countries, rather than unfolding within their local circumstances. As a result, accounting reports of developing countries tend to replicate those of industrially advanced countries (Samuels, 1990).

The financial reporting systems of developing countries are often based on models of international accounting standards which are compatible with circumstances where there is a well organised and efficient capital market. Such circumstances are seemingly absent from developing countries (see Abdul-Rahaman, Gallhofer,

⁴ Organisational field level includes constituents such as the government, sources of funding, professional and trade associations, special interest groups and the general public. Scott (1991) conceives organisational field as any constituent which imposes a coercive, normative or mimetic influence on the organisation. Organisational level refers to the study of actors' actions within an organisation.

Haslam & Lawrence, 1997). Samuels (1990) notes that there are imperfections in the market place in developing countries as the prices of products seem not to reflect the relative scarcity of factors of production. The private sector is responsible for only a small proportion of investment decisions, whilst the public sector is inefficient (Samuels, 1990). While some developing countries have stock exchanges, they are inefficient, only influence a small sector of the economy, and have not been shown to be an adequate means of allocating resources (Samuels, 1990). Although Samuel's (1990) and Perera's (1989) literature are dated, they are still valid as developing country's capital market is developing and the accounting practices has evolved from developed countries rather than unfolding in their own circumstances.

For the purpose of this thesis, "developing countries" mean countries that do not belong to the Western World centred on the U.S.A. or the Eastern World with former USSR, currently Russian Federation as its centre. These developing countries are referred to as the Third World or Emerging Economies. Developing countries or emerging economies are mostly found in Africa, Asia, Latin America, the Middle East and Oceania (see Wallace, 1990). According to Ali (1998) most of the developing countries gained independence from the late 1950s when decolonisation became a global phenomenon. A common feature of this group is they are ridden with poverty, whilst there are wider disparities in level and rate of development. Compared to the developed countries, Samuels (1990) elaborates on the problems developing countries face such as those of poverty, unequal wealth distribution, regional imbalance, insufficient domestic savings, large foreign debts and low level of technology. Alawattage, Hopper and Wickramasinghe (2007) point out that accounting research in less developed countries needs to address issues of poverty reduction, corruption, culture and politics in a wider spectrum of organisations.

In terms of management accounting information, several scholars have carried out case studies on management accounting and control in emerging economies so as to understand the mechanisms of how MACS operates effectively. These scholars include Hoque and Hopper (1994, 1997), Alam (1997), Uddin and Hopper (2001), Rahaman and Lawrence (2001), Tambulasi (2007) and Awio, Lawrence and Northcott (2007).

Rahaman and Lawrence (2001) examine the claimed deficiency of public sector accounting and financial management in developing countries through a case study of the Volta River Authority (VRA) in Ghana.⁵ The authors suggest that one needs to endeavour to utilise “critical” and “interpretive” frameworks to assist in comprehending this (deficient) area of research. Their research found that while the accounting systems at the VRA are adequate and very well operated, they tend to disguise “deficiencies” which become visible through an appreciation of the socio-political context in which VRA operates. While the technical-rational perspective shows that the accounting system at VRA is sound, deficiency claims still hold once the system is examined from other perspectives such as socio-historical and socio-economic development dimension. The VRA’s objective was to improve the socio-economic development of Ghana and its people, but locals had complaints about escalating electricity prices. VRA had to operate as a commercialized organisation with different ends than serving the poor citizens of Ghana.

Hoque and Hopper (1994) consider the case of the operations of the management control system in a large nationalised jute mill in Bangladesh. The mill had continually faced an uncertain environment with respect to markets, resource constraints, operations, politics, state interference and demands from aid agencies. Labour unrest and violent demonstrations, inter-group rivalry and conflicts were common in the mill studied. Also, the World Bank, which provided the major source of funds for the mills, dominated the form of control over and within mills. The study revealed that the external aid agencies and the state were major influences on management control systems.

Alam (1997) explored how the budgetary process was used to manage technical and institutional environments. The research was conducted in two commercially-oriented state-owned enterprises in Bangladesh, where the overall socio-economic situation was characterised by resource scarcity, uncertainty and political instability. Organizations operating in such a condition of uncertainty

⁵ Deficiency claim refers to the inadequacy of accounting and financial management in public sector organizations in developing countries. This is partially attributed to problems such as recruitment and retention of qualified accountants in these countries as well as disparities of salary between the private and public sectors.

may be expected to operate differently and possibly to different ends than those prevailing in Western countries (Alam, 1997). Like Alam's (1997) study, this study intends to explain how culturally-specific influences in a developing country are different from those that prevail in Western countries.

In a similar vein, Uddin and Hopper (2001) report on a case study of a soap manufacturing company in Bangladesh that was nationalised upon Bangladesh's independence in 1971 and later privatised in 1993. New owners through privatization destroyed the internal labour market and, following redundancies, the workers were hired through internal subcontracting. This specific change, hiring workers through internal subcontracting, was an impetus to divide workers and rendered workers powerless to resist. Like Fiji, subsequent coups, changes of military governments, and the restoration of democracy reflect the turbulence of Bangladesh politics. Pressure for privatization came from external sources, especially the World Bank's recommendation for economic liberalisation programmes. After privatisation, workers were terrified of losing their jobs for participating in trade union activities and placed little trust in trade unions. Uddin and Hopper (2001) elaborate that high unemployment, weak trade unionism and the State's dependence upon external capital can render workers powerless and unprotected.

Uddin and Hopper (2001) conclude that trans-national institutions such as the International Monetary Fund (IMF) and World Bank promote global capitalism by forcing developing countries into market-based policies. This has devastating consequences on the poor and underprivileged in the society, despite the trans-national institutions' rosy predictions. Many studies follow a narrow perspective, that is, an economic view of accounting information, as a vital functional ingredient for "rational" organisational decision-making (Solomons, 1991). While Uddin and Hopper's work emphasised a political economy view of accounting, this thesis utilises institutional theory to view accounting control innovations within a Fijian Telecommunication company.

Zahra, Ireland, Guitierrez and Hitt (2000) report that over \$700 billion in assets have been privatized in the world's economies in the last decade of which approximately 40 percent has occurred in emerging economies. Often

privatization in emerging economies has taken place as a response to demands from trans-national institutions such as the World Bank and IMF. Governments of emerging economies normally seek loans from these organizations to support economic development. As a precondition to loans, the trans-national institutions require the emerging economies to introduce substantial economic liberalisation policies (Hoque & Hopper, 1994; Zahra et al., 2000; Uddin & Hopper, 2001). Privatisation and associated accounting practices reflect the recent vogue of public sector reforms in developing and underdeveloped economies.

Tambulai (2007) examines the introduction of accounting methods associated with new public management in Malawi's local government. Tambulasi's (2007) study disputes the effectiveness of public sector accounting currently imposed by aid agencies like the World Bank that emphasises private sector methods and strengthening the role of managers. In Malawi, the reforms increased managerial autonomy at the expense of political control. The government policies sought devolution of control to local communities. Tambulasi (2007) points out that managers did not behave bureaucratically as predicated but responded to politicians' sabotage of systems and corruption by either colluding with corruption or seeking control intervention. Rather than efficiency, dysfunctional rivalries ensued. Awio, Lawrence and Northcott (2007) examine new public management after studying Uganda's HIV/AIDS initiative and argue that community led responses may improve public sector accountability in LDC's better than NPM methods.

In brief, this section reviewed less developed country literature as the research stems from an interest in MACS changes in such a setting. Researchers in LDC's have pointed out that the accounting research needs to address issues of culture and politics in a wider spectrum of organisations. Also in LDC's, the external aid agencies and state were major influences on management control systems. LDC literature underscored that culture-specific influences in developing countries are different from those that persist in western countries. This thesis raises issues in the literature reviewed on LDC's and aims to extend the literature on cultural and political context in relation to Fiji's situation using a case study of TFL. The next section reviews the literature on management accounting and control system (MACS) change.

2.2.1 Theme Two: Management Accounting and Control System Change at the Organisational Field Level and Organisational Level

The thesis is based on management accounting and control system (MACS) change in a Fijian context. The definition of MACS for this study is broad: a system used to align employee behaviour with organisational objectives and to assist external relationship (with the State, Commerce Commission, aid agencies and customers) (see Euske & Riccaboni, 1999; Efferin & Hopper, 2007). Both academic and professional literature have carried commentaries on the changing nature of management accounting practice (Bhimani, 1993; Shields, 1997; Vaivio, 1999a, 1999b; Bjoornenak & Olson, 1999; Burns & Vaivio, 2001; Soin et al., 2002). According to Quattrone and Hopper (2001), consultants argue that firms need to adopt new accounting acronyms such as ABC/M, EVA and TOC. Many firms have responded by adopting these techniques with varied results. Academics, on the other hand, have used various theoretical frameworks to explain these accounting changes; for example, Briers and Chua (2001) utilise Actor Network theory whilst Burns and Scapens (2000) commend institutional theory. The ensuing section considers the MACS change at the extra-organisation level.

2.2.2 Management Accounting and Control System Change at Extra-Organisational Level

The literature on MACS changes in new public management considers external agencies' demand for change and reflects that MACS are often institutionalised to gain legitimacy from external constituents such as the government (Alam, 1997; Modell, 2001; Collier, 2001). Various authors (Granlund & Lukka, 1998; Euske & Riccaboni, 1999; Granlund, 2001; Covalleski, Dirsmith & Samuel, 2003 and Tsamenyi, Cullen & Gonz'alez, 2006) demonstrate how three isomorphisms, normative, mimetic and coercive, interact with organisations and influence accounting changes.⁶ Coercive isomorphism occurs in response to political and

⁶ The concept of isomorphism used by DiMaggio and Powell (1983; 1991) is similar to Abrahamson's (1991) concept of fad and fashion where Abrahamson refers to "forced selection perspective" as similar to coercive isomorphism while "fashion" is where management consultants

regulative influences, and mimetic isomorphism occurs when organisations seek to copy practices of other organisations that are considered to be legitimate. Normative isomorphism occurs where societal norms and professional bodies influence the practices of organisations, for example, the adoption of GAAP by government entities.

Cobb, Helliard and Innes (1995) report on a longitudinal case study of changes in management accounting systems in a division of a large multinational bank. Pressures such as new competitors, development in information technology, bad debts experience and reducing profit margins provided the impetus for changes in the management accounting system. Changes such as a new cost allocation method, new cost reports, competitive benchmarking and participative budgeting were evident in the organisation that increased the communication between managers and management accountants. The accountants and managers were aware that environmental pressures were the rationale for varied changes in the organisation. The study utilised the Innes and Mitchell (1990) model of change. Laughlin's (1995) middle range approach was also adopted for the study. Llewellyn (1993, p. 242), however, has emphasised that the process of accounting change as a social accomplishment through human agency remains unexplained in the Innes and Mitchell (1990) change theory.

Bhimani (1993) focuses on the manner in which an enterprise's accounting system is affected by a complexity of independent and disparate external factors and how these factors interacted with internal forces to create a sustained dynamic of change within the French organisation of Renault. This French motor car manufacturer is studied over the 40 year period prior to the Second World War. Bhimani uses an historical enquiry technique to view the accounting changes at Renault. His study explores the political culture in France which had made appeals to scientific rationalisation and statistical reasoning as techniques of control.

Controlling costs became a prime concern for Renault as it was facing intense competition within the French market for automobiles and was also in

induce organizations to adopt the latest technology or administrative technology. "Fad" is where an organisation adopts an innovation as it sees competitors or comparable organizations doing so.

competition with Ford for international and European markets. Renault's attitude to the application of scientific management prompted labour unrest which was widely publicised in 1912 and 1913. The labour market had somewhat slowed down the use of scientific management in French industry. Bhimani's study has implications for this thesis as there were some resistance from trade unions to MACS changes as well.

Euske and Riccaboni (1999) report on one of the first large state-owned banks in Italy to be privatised. The privatisation altered external interdependencies. Much more attention was given to profitability and the return to shareholders. Euske and Riccaboni (1999) call for more studies that focus on the role of external interdependencies influence on the organisation.

Using institutional theory, Collier (2001) presents a longitudinal study of the implementation of budgeting systems in a UK police constabulary. The theory illustrates how the police constabulary coped with external pressures for increased accountability. Collier claims that the institutional demands for improved effectiveness suggested that institutional theory (DiMaggio & Powell, 1983; 1991) could provide a valid theoretical framework from which to see how the organisation coped with external pressures to change alongside the strong ethos of policing towards more crime fighting and law enforcement. Collier's case study examines how devolved budgets were introduced into a police force. Financial pressures impacted on the police coupled with cash limited budgets that had been imposed on them. The New Public Management (NPM) (Hood, 1991, 1995; Parker & Guthrie, 1993) affected the police after the introduction of the Financial Management Initiative in 1982. The cash budgets and the requirement for each police force to prepare a local policing plan supported by performance targets were all implemented. West Mercia is a clear demonstration of shifting power over resource allocations, but within the constraints of a cash-limited budget imposed by Headquarters on divisions. Like Collier's study, this thesis intends to study MACS changes at Telecom Fiji through institutional theory, reflecting on the adequacy of its explanatory power.

Modell (2001) illustrates how managers designed and implemented new systems for performance measurement within the Norwegian public sector in the face of

public sector reforms. His paper draws from Oliver's (1991) conceptual framework relating managerial responses to institutional processes. Oliver's framework is based on a continuum of responses and is characterised by varying degrees of proactive choice. Modell's paper explores how managers make proactive choices and decisions in the face of strong institutional pressures rather than following a path of passive compliance.

In Modell's study, the Norwegian hospital experienced changes emanating from the State's public sector reform policies. Continuous financial performance evaluation within divisions was undertaken on a monthly basis and focused on budgetary deviations. Alongside this, varied DRG (diagnostic related groups) - based indicators have been developed since the 1990s and increasingly utilised for evaluating clinical operations. A divisional structure eventuated in 1995, which led to decentralisation of budgetary control vis-a-vis the appointment of divisional controllers who worked closely with the operating departments. Quality improvement efforts were also put in place, primarily inspired by private sector practices. Modell concludes that the adoption of DRG-based performance measurement could be ascribed to both legitimacy seeking and efficiency enhancing rationales which formed part of senior management's choices. Further, the approach on quality improvement efforts which reflect some mimicking of private sector practices (DiMaggio & Powell, 1983, 1991) was also resisted by physicians on the basis that such practices were alien to clinical realities. Such resistance is also relevant to this study.

Covaleski and Dirsmith (1988b) show that the process of institutionalisation within a university budget submission process is infused with human agents and their interests both within the organisation and the extra-organisational relations. The authors conclude that the case university survived by conforming to those interests that are hierarchically superior, for example, the State, which was the provider of resources. Despite Covaleski and Dirsmith's (1988b) study, little attention has been focused on issues of interests and human agents in accounting change literature. While Covaleski and Dirsmith (1988b), Euske and Riccaboni (1999), Collier (2001), and Modell (2001) focused at an organisational field level and utilised institutional theory, this study intends to expand on institutional theory, using institutional contradictions and institutional entrepreneurs (internal

change agents) as those that shape change (Beckert, 1999; Seo & Creed, 2002; Dorado, 2005) to explicate the empirical evidence at both organisational and extra-organisational levels.

New institutional sociology theory (NIS) has been adopted in the accounting literature to explicate accounting choices in both the public and private sectors and has studied MACS changes at extra-organisational level (e.g., Whitley, 1999; Carpenter & Feroz, 2001; Hussain & Hoque, 2002; Modell, 2002; Tsamenyi et al., 2006; Kholeif et al., 2007; Modell, Jacobs & Wiesel, 2007). Institutional studies have emphasised, amongst other things, identifying and explaining the sources of isomorphic pressures on the adoption of accounting and control systems (Alam, 1997; Granlund & Lukka, 1998; Brignall & Modell, 2000; Carpenter & Feroz, 2001; Granlund, 2001; Hussain & Hoque, 2002), the interplay between institutional and technical environments (Hoque & Hopper, 1994, 1997; Modell, 2002; Hoque, Arends & Alexander, 2004) and the power of actors to respond to institutional pressures (Covaleski & Dirsmith, 1988b; Beckert, 1999; Collier, 2001; Seo & Creed, 2002; Modell, 2002).

While new institutional sociology theory has made a significant contribution to the analysis of accounting practices, it has been criticised as failing to capture human agencies and intra-organisational power relations (Abernethy & Chua, 1996; Seo & Creed, 2002; Dillard, Rigsby & Goodman, 2004). New institutional sociology theory needs to be expanded to capture human agents in the change process and this can be done through studying ongoing contradictions that carve changes through institutional entrepreneurs and external change agents (Seo & Creed, 2002). The ensuing section discusses the prior literature on organisational level changes.

2.2.3 Management Accounting Change at Organisational Level

Studying management accounting at the organisational level is an important issue to which this thesis intends to contribute. Scholars such as Dent (1991), V'amosi (2000), Burns and Scapens (2000), Burns (2000), Soin et al. (2002), Zilber (2002), Johansson & Baldvinsdottir (2003), Siti-Nabiha & Scapens (2005), Burns &

Baldvinsdottir (2005), Busco et al. (2006), Nor-Aziah & Scapens (2007) and Lukka (2007) have made vital contributions to understanding changes at the organisational level. The rationale behind the thesis is to utilise their work as it raises issues for consideration in this research.

Dent (1991) demonstrates how accounting was implicated differently in “railway” and “business” cultures, and looks at the dynamics of transition. Dent’s research was undertaken in a major railway company. Initially the railway was a public service with the rationale to run trains. In fulfilling its role, profitability was considered secondary by the railway. The railway seemed to be under pressure to change stemming from the State’s action to privatise the industry, and in response to this the railway business introduced new managers with business responsibilities. In Dent’s study, separate classes of activity were uncoupled from the railway culture and recoupled to the business culture. Dent utilises an interpretive methodology for the study. Commercial business routines became the dominant norm amidst the senior management. As Dent elaborates, traditions established over more than a century related to the concept of railway as a social service were overthrown by the business management.

The business managers’ accepted rationale for the railway was to make a profit. The customers were seen as those who generate revenue whilst the significance of operations such as trains, infrastructure and staff was that they were costs. Like Dent’s study, this research examines MACS changes using interpretive methodology in another environment and explores whether there was resistance to change due to Fiji’s cultural and political context. Fiji’s cultural and political context has potential both to resist and support change.

A study by V’amosi (2000) examines the interpretation of (new) concepts and ideas and how these affected management accounting in a previously Hungarian government-owned company, Budapest Chemical Works (BCW). The article considers how the concept of market economic rationality was adapted in BCW which had to follow business practices. The study employs Berger and Luckmann’s (1967) notion of social construction as the theoretical framework which focuses on institutionalisation of practices in selected parts of management accounting in the case company. V’amosi’s study mentions that little emphasis

has been placed on studying organisations in transition. His study attempts to examine how micro-social system management accounting in the company is constructed, institutionalised and changed in the face of macro institutional and social changes in the company's environment. In V'amosi's study, an American consulting firm acted as a change agent to introduce new market rules. This thesis also explores how management accounting in the subject company is constructed, institutionalised and changed in the face of macro institutional and social change.

Soin et al. (2002) use institutional theory to interpret the role of management accounting in organisational change. Their paper reports on a longitudinal empirical study of the implementation of an Activity Based Costing (ABC) system in a UK Bank. Tensions were identified between the need to establish ABC as an organisational routine with less routinised but more revolutionary aspirations of ABM. The ABC team was successful in institutionalising a less radical version of ABC which revealed new links between costs and products (see Soin et al., 2002).

Scapens (1994, 2006), Burns and Scapens (2000), and Lukka (2007) offer old institutional economics theory as a framework for researchers interested in studying management accounting change. Through such approaches, the authors believe, the framework can be extended or refined. The framework is intended to inform interpretive case studies of the processes of MACS change. Burns and Scapens (2000) illustrate the framework, using two previously published case studies of Roberts and Scapens' (1990) - Ferac Plastics and Scapens and Roberts' (1993) case of Omega Plc. Ferac Plastics illustrates a situation where management accounting routines are institutionalised and become a taken-for-granted part of the management process. At Ferac Plastics, the managers spoke the language of accounting, such as the bottom line, variance and profitability measures. They exhibited a high degree of accounting literacy and viewed accounting information as the major focus of their attention. The accounting routines were enacted, and thereby reproduced in month-by-month use by managers.

In the Omega Plc case (Scapens & Roberts, 1993) resistance was expressed by the engineering division within the organisation to adopting accounting means of

thinking. A project that was intended to improve information flow in the engineering division was abandoned. The change that was introduced challenged existing routines and institutions of the engineering division. Therefore, it became difficult to implement.

Busco et al. (2006) used a case study approach to examine the acquisition in 1994 of an Italian company, Nuovo Pignone (NP), by the US multinational, General Electric (GE). NP was a bureaucratic Italian company, part of a state-owned group called ENI. NP was sold to GE as part of the Italian government's privatisation policy. A couple of years earlier, 20 of ENI's top management, including its chairman, had been arrested for corruption and the chairman later committed suicide in prison. So, when GE acquired NP, it was clear that major changes would be made. GE was renowned for its financially-oriented, number-driven approach to management and emphasised cash generation. However, NP had little history of financial management. Within about three years NP had been integrated into GE's world-wide organisation and was managed in the "GE way." This was considered to be revolutionary change. It had been accepted that the existing ways of doing and thinking in the company (NP) were going to change. It had been recognised that the prevailing institutions within NP would not be acceptable to GE. There was a collective mindset that change would emerge. Although people within NP were anxious, they recognised that change was inevitable and they looked for ways of coping with it. There was massive reorganisation of the finance function, with new finance managers and training being given to employees. Quality initiatives were also introduced for the change to be effective. Busco et al. (2006) study is relevant to this thesis as the authors (Busco et al., 2006) illustrated management accounting change at organisational level using a theoretical framework drawn from Burns and Scapens' (2000) institutional theory model. This thesis expands on the institutional theory model suggested by Burns and Scapens (2000).

In their case study, Burns and Baldvinsdottir (2005) highlight institutional contradictions that create potential openings for change and discuss how actors' roles changed. Institutional theory is utilised to tease out the unfolding nature of role change in the company called Butt. Throughout the 1980s Butt had a quasi-monopoly position in world pharmaceuticals. Financial management concerns

were less of a priority compared to other business concerns such as research and marketing. However, by the 1990s these embedded beliefs pertaining to excellence in research and marketing came to be questioned. Previously taken-for-granted assumptions had been brought to the fore of consciousness, compared to an alternative logic, and subsequent changes put into motion. Technical inefficiency was exposed in the previously taken-for-granted assumptions. Previously, money did not matter but the growing competition had put pressure on the Butt actors to improve their performance.

Nor-Aziah and Scapens (2007) utilise an exploratory case study to present an in-depth analysis of a Malaysian utility which was required to transform itself into a self-financing, efficient and profitable organisation through a process of corporatisation. Despite attempts to enhance profitability by new rules of budgeting and recruitment of new accounting graduates, the case reveals that as accounting changes were enacted, over time they became separated and only loosely coupled to other organisational activities. The intended purpose of the budgets introduced into the case company did not materialise because the implementation of the new budgeting system created resistance, due to lack of trust and power relations between accountants and operations managers. Power over resources remained in the hands of headquarters accountants; this enhanced the tensions and lack of trust between the accountants and operating managers.

Zilber (2002) studied a rape crisis centre in Israel, where the entry of therapeutically-oriented members resulted in the infusion of new meanings into original feminist practices. Zilber (2002) claims that the emergence of the therapeutic institution triggered some deinstitutionalisation of feminism, but not its complete replacement. The two institutions, therapeutic and feminist, co-existed in the case study and competed with one another. Feminism had to do with gender discrimination against women. However, as time went by, members had become more aware of the immediate Israeli environment's negative stand towards feminism. Therapeutically-oriented volunteers became involved in educational activity and highlighted the centre's professional work. Zilber's (2006) study is relevant to the thesis as the author (Zilber, 2006) provides empirical evidence using institutional theory at micro level and demonstrates institutional contradictions: coexistence of two institutions; therapeutic and

feminist. The thesis draws on such contradictions and how institutional entrepreneurs shape change.

In brief, the reviewed literature carried commentaries of MACS changes of both organisational field and organisational level that are relevant to this study. From the organisational field level perspective, there are environmental pressures like the donor agencies, state and customers that may call for changes in the TFL organisation. Most studies reviewed relied on institutional theory which informs this study as well. The management accounting literature at the organisational level is reviewed as this thesis contributes to this literature.

The previous research has been undertaken at either an organisational field level using new institutional sociology theory or at an organisational level using old institutional economics theory (Dillard, Rigsby & Goodman, 2004). This research uses institutional theory and attempts to integrate changes at both levels. New institutional sociology theory emphasises isomorphism (stability) while old institutional economics using Burns and Scapens' (2000) model is vague on explanation of change. The source of contextual change; whether it is from endogenous or exogenous forces is missing from the model. At the same time, Burns and Scapens' (2000) model does not capture resistance to change. This study intends to extend institutional theory literature in management accounting by considering institutional contradictions and illuminates how the contradictions influence embedded actors (institutional entrepreneurs) to shape changes. In doing so, the thesis depicts a study of agents, which appears to be a neglected area in accounting as identified by Granlund (2001). Scott and Bruce (1994) also elaborate on the importance of human agency, noting that innovations cannot be understood without attention to the personal and environmental influences (see also Emsley, Barbara & Harrison, 2006). Having considered the literature on MACS change, the next section examines the literature on the management philosophy of Total Quality Management which was introduced at TFL.

2.3.0 Theme 3: Total Quality Management(TQM).

Total Quality Management (TQM) practices, for which a plethora of literature exists, were introduced at TFL. For the purpose of this review, only literature that

is relevant to the study is reviewed. TQM practices have been implemented by firms interested in promoting their survival prospects by encompassing quality and continuous improvement into their strategic priorities (Shank & Govindarajan, 1994; Johnson, 1994; Tuckman, 1994; Chenhall, 1997; Boaden, 1997; Hoque & Alam, 1999; Lord & Lawrence, 2001; Hoque, 2003).

TQM practices are a set of management concepts and tools that seek to involve managers, employees and workers in order to yield continuous performance improvement (Hogg, 1993; Shank & Govindarajan, 1994; Johnson, 1994; Powell, 1995; Boaden, 1997; Chenhall, 1997; Hoque, 2003). Shank and Govindarajan (1994, pp.16-17) note that “whichever approach a firm chooses, quality is such an important strategic variable that management accounting can no longer ignore it.” Chenhall (1997) notes that TQM enhances the profitability of companies when managers are evaluated by using direct measures of manufacturing.

A satisfied customer is the best indicator of the quality image of any business (Lal, 1990; Johnson, 1994; Tuckman, 1994; Boaden, 1997). The whole thrust of a TQM philosophy is that quality and its management have to be built in right from the beginning and that the accomplishment of quality standards and improvement is the responsibility of everyone (Morgan & Murgatroyd, 1994; Westphal, Gulati & Shortell, 1997; Lord & Lawrence, 2001; Hoque, 2003). Although the literature suggests that TQM facilitates customer satisfaction, the thesis examines if this belief holds in the case of a monopolized telecommunication company in Fiji.

Sharma and Hoque (2002) note the importance of top management involvement as a change agent in the introduction and establishment of TQM practices at the Housing Authority of Fiji. Oakland (1993) and Powell (1995) point out that a way to accomplish TQM practices is to issue a total quality message that clearly states top management’s commitment to TQM practices and outlines the role everyone must play. Sharma and Hoque (2002) argue that organizations adopt management techniques such as TQM practices not for technical reasons (Ansari & Euske, 1987) but to become isomorphic with institutional norms (DiMaggio & Powell, 1983, 1991).

Zbaracki (1998) notes that TQM practices gain institutional value over time as they become the accepted way of doing things. Although TQM practices may provide an organisation with few technical benefits, the claim to use TQM practices may confer legitimacy on the organisation. Zbaracki's (1998) study focused on the use and retention of TQM practices in a variety of organizations to see how institutional forces influence the TQM practices within these organizations. Zbaracki's (1998) findings demonstrate that as TQM practice spreads from one firm to another, the practice garners legitimacy value and loses technical value. That is to say that TQM practice becomes a window dressing practice than enhancing technical value within organization. Managers may use success stories to retain TQM practice as a myth of rational action. Whilst Zbaracki (1998) uses institutional theory and an evolutionary model for studying the introduction of TQM practices, this study extends the literature by examining what institutional contradictions were at play at the subject organization and how institutional entrepreneurs exploited these contradictions in order to introduce TQM practices.

Hoque and Alam's (1999) study is a case study of TQM adoption and changes in management accounting systems within a New Zealand construction company. They suggest that an organisation may initiate TQM practices to promote "institutional" and "quality" culture rather than for technical reasons. The authors use institutional theory in their study, which helps them in capturing significant extra "institutional" forces such as market pressures, fierce competition, customer expectations, professional associations, public perceptions and regulatory factors (e.g., legislation guidelines, quality standards) influencing TQM practices adoption in the firm. The company's management accounting system was updated to incorporate TQM-based practices, for example, orientation towards both financial and non-financial measures and greater involvement of accountants within TQM practice programs.

Hackman and Wageman (1995) note that the quality improvement process must begin with management's commitment to total quality. Cross-functional teams can be used in multiple ways in TQM programs; their central purpose is to identify the "vital few" problems of the organisation (Hackman & Wageman, 1995). Other teams, also cross-functional (for example, quality-improvement

teams), are created to diagnose the problems that have been identified in the organisation and to test possible solutions. Hackman and Wageman (1995) also identify that sometimes TQM practice changes may be more window dressing than real, as TQM is a program that exhorts people to alter their behaviour and requires managers to do little other than issue the exhortation. The implementation may be easy, but the old organizational structures and systems remain the same and continue to generate similar behaviour as before.

Mueller and Carter (2005) studied TQM practices over a period of three years in a newly privatized organisation of a UK utility sector: Coast Electric. Their study employs the concept of scripts which can be analysed as responses to rationalized expectations of TQM practices. Three scripts were suggested: the first is that of “exhortation”, that is, carrying a new practice with rhetoric-intensive language, which incorporates the role of ceremony, image and rhetoric. The second script is of “mimetic learning”, a script that incorporates the role of widely diffused, rationalized management techniques. The third script is “routinising” which reflects the process of rationalization at the organizational level. It is here that the new TQM practices become institutionalized. TQM was exhorted as a new way of working within the organisation. The exhortation script stripped away the dominant culture that had historically been the preserve of engineering. TQM practices were driven by consultants. There were savings made from TQM practices which could be mooted as evidence of some routinisation. The TQM innovation became incorporated into the everyday habits of managers and employees.

Warner (1994) suggests that TQM practice is predicated on “scientific management”, which is much more widely diffused in Japanese industries (p.526). Warner (1994) notes that with the adoption of TQM practices, the Japanese have also invoked the concept of *Kaizen*, meaning continuous improvement. *Kaizen* represents a process-oriented, as opposed to western result-based, way of thinking. The strategy calls for a corporate culture where no day need go by without some improvement being made somewhere in the organization.

In a Japanese study, Mehri (2006), asks what has made Toyota so competitive. The Toyota Production System, based on TQM practice, was a Japanese technique which also proliferated in US organizations. Mehri (2006) points out that a “culture of rules” (p.25) determines what goes on in the Japanese workplace. The rules fit in three categories. The first category is the written rules that are distributed in company booklets or are printed and hung on company walls and bulletin boards. The second category is the unwritten rules that an employee learns through observation or experience at the company, particularly in his or her section or team. In the third category are rules that are learned culturally, simply by being Japanese or living in Japan. These rules constitute the proper language and gestures to be used in speaking to a superior. The open-space at Nizumi (the case company) and most Japanese companies facilitates monitoring of employees. Mehri (2006) argues that Japanese workers accede to the demands of management simply because they have no choice. Criticising or confronting someone, particularly to embarrass someone in public, is a bad behaviour in Japan. Also if two employees disagree with each other, in Japanese culture, it is considered bad behaviour to be confrontational. One is supposed to fake a good-natured relationship and not show his/her true feelings. Warner’s (1994) and Mehri’s (2006) study on TQM is drawn as they illuminate the role of Japanese culture on enhancing TQM practices. Such cultural role on TQM practices in a Fijian context is examined in the thesis.

Much of TQM practice literature covered benefits associated with the implementation of TQM practices. It has generally been argued that TQM practice improves the productivity and competitiveness of organizations, increases their market shares, improves relationships among employees and reduces costs (Hoque & Alam, 1999; Sharma & Hoque, 2002; Eriksson & Hansson, 2003; Mueller & Carter, 2005). These techniques have a technical element: to improve organizational efficiency. However, the rationale for implementing TQM practices goes beyond efficiency and includes social norms and behavioural forces which may be captured through an institutional theoretical framework.

It may be necessary to note that there is a critical literature on TQM practices. For example, Ezzamel (1994b) elaborates that when implementing TQM practices, there is a tendency for management to overemphasise the use of detailed rules and

procedures, which separates the individual from his/her work. Ezzamel (1994b) also views TQM as engendering greater exploitation of group dynamics. Ezzamel and Wilmott (1998) note that, in capitalist organizations, people do not come together freely and spontaneously to set up team works. Rather, confronted with lack of wealth, they are coerced by material necessity to sell their labour as a way of providing subsistence for themselves and their dependents. A few authors also claim that management uses TQM practices to exploit employees in order to extract surplus value for capital (Morris & Wilkinson, 1995; Lord & Lawrence, 2001).

The mainstream literature on TQM practices has been supportive of TQM through the economic approach of facilitating effectiveness and efficiency in the organisation, based on the notion of improved profitability. Such practices of TQM also engender performance targets. Such performance measures and reward structures sanctify success and shame failure (Ezzamel, 1994b).

In brief, TQM practices have been implemented by firms interested in their survival prospects by encompassing quality and continuous improvement into their strategic priorities. While authors like Zbaracki (1998) use institutional theory and an evolutionary model for studying introduction of TQM practice, this study extends the literature by examining what institutional contradictions were at play at the subject organization and how institutional entrepreneurs exploited the contradictions to introduce TQM practice. After considering the literature on TQM practices, the next section reviews the literature on resistance to MACS changes.

2.4.0 Theme 4: Resistance to change

Argyris and Kaplan (1994), who consider resistance as a barrier that opposes and obstructs change, recommend change strategies to reduce resistance. Education is one of the strategies that may be helpful; through education participants learn to understand the new ideas. In-house training may be conducted by the management to reduce resistance to change.

It has been claimed that the differing views of managers and employees on change is a common root of difficulties in change programmes (Strebel, 1996). Kasurinen (2002) endorses Strebel (1996) and notes that for top-level managers, change is often an opportunity, whereas for many employees and middle managers, change is neither sought nor welcomed. Managers need to understand what change is from the employees' perspective (Kasurinen, 2002). It may be unrealistic to expect employees to fully embrace change unless managers define new conditions for change and persuade employees to accept them (Kasurinen, 2002).

Burns (2000) explores accounting change in the product development department of a UK chemical manufacturer: Becks. He employs institutional and power mobilisation frameworks to explicate the processes of change. A processual approach is adopted which entails "exploring the temporal dimensions of change, unfolding over time through reference to the past, the present and future" (Burns, 2000, p.568). The case study is an effort to explore the interplay between new, imposed accounting practices, routines, institutions, power and politics (Burns, 2000). The latter two act as facilitators or barriers to change. Accounting routines, especially the use of accounting information in contribution terms, had become encoded into the organisation. This was part of the taken-for-granted assumptions and beliefs concerning activity in Becks. Such routinization and institutionalisation of accounting was reinforced by a cash flow crisis in 1988. The Managing Director wanted the "chemistry know-how" to be supplemented more by accounting-oriented ways of thinking (Burns, 2000, p. 577). Burns' case on "Becks" company demonstrates barriers to change and conflicts that emerge as new accounting routines are unable to impinge on existing ways of thinking. There were difficulties involved whilst imposing accounting change on a setting where existing institutions were not congruent with new routines and intended ways of thinking. The new accounting in Becks was abandoned at the beginning of 1996, based on the limited benefit that it offered to the department or elsewhere in the organisation. The chief chemist stopped collecting time sheets from the lab chemists as he was no longer required to produce a development report. So new routines were broken, as rules (procedures) were withdrawn.

Scapens and Roberts' (1993) case study describes the introduction of a new accounting control system into the unit companies of a division of a large multidivisional company. Resistance was encountered in the implementation process at Omega (case company). An inability by workers to find a workable relationship between the languages of production and accounting led to resistance to accounting change. There were tensions between operating managers and accountants. This was because of the increasing competition faced by Omega in the late 1970s. A production cost control project was set up to improve information flow between the units and to divisional managers. As a Production Cost Control project did not emerge out of shared understandings of the need for improved production control in operating units, the divisional accountants had to sell the idea to legitimate their understandings. However, the different understandings of the production cost control project were a source of friction between the general managers and the project team. Eventually the production cost control project had to be abandoned due to increased resistance by the production employees.

Siti-Nabiha and Scapens (2005) use as their case study a gas processing company which introduced value based management. Value-based management was imposed on the company by its parent company. Initially, the value-based management was used in a ceremonial way and the KPIs became decoupled from day-to-day activities of the business. The value-based management did not have an impact on the way of thinking of organisational participants and was resisted. When new KPI's under value-based management were introduced, staff complained that they were being treated as machines as everything was to "have a standard" (Siti-Nabiha & Scapens, 2005, p. 55). The implementation of value-based management did not effectively change the way in which managers conducted their day-to-day activities. A change in mindset from a production orientation to financial orientation did not occur. This ceremonial implementation of the new system without change in underlying ways of thinking was characterised as passive resistance (Siti-Nabiha & Scapens, 2005).

Ezzamel (1994a) demonstrated how accounting knowledge can enable the mobilisation of resistance by organisational actors opposed to change. His case study is of a university that attempted to supplant an incremental budget by a

comprehensive budget, due to financial crisis. The university's prevailing values were being perceived by organisational actors as under challenge from imported ones. In the initial budget, there was a call for some staff redundancies which were criticised. An alternative viable strategy was put forward by staff, which allowed the university management to abandon the initial budget with its potential redundancies. Accounting was used by this group with alternative viable strategy to show the initial budget with redundancies was unreasonable. Ezzamel (1994a) highlights that by evolving alternative technical arguments from within accounting, and by combining them with other arguments such as job tenure and academic freedom, organisational actors opposed to change were able to resist the disciplinary intents of the initial budgeting proposals.

Wickramasinghe and Hopper (2005) studied MACS in a textile mill in a traditional Sinhalese village in Sri Lanka. Attempts to impose conventional management accounting failed, due to workers' resistance. The capitalist mode of production and modern industrial culture took unexpected roles when confronted by traditional rural culture based on kingship obligations. The mill was founded by the government as a public enterprise. Government interference in the mill was considerable and, due to disappointing performance, there was pressure for privatisation. Results improved after privatisation, partly owing to commercial budgetary practices being adopted. However, cultural asymmetry problems were inflamed by a coalition of workers and local managers against foreign owners, who fled when financial irregularities were found. The government resumed ownership, and budgeting practices of previous eras returned (Wickramasinghe & Hopper, 2005). Wickramasinghe and Hopper's (2005) study illustrates how cultural and political forces are relevant to resistance to accounting changes in a developing country context.

In brief, resistance is a barrier that opposes and obstructs change (Argyris & Kaplan, 1994). The differing view of managers and employees on change is a common root of difficulties in change programmes. This section reflected on the resistance to accounting changes in the literature which is relevant to this study. The thesis intends to explore if there are any such barriers to change in existence at the subject organisation. After considering resistance to accounting change, it

is vital to indicate the location of the thesis within the management accounting and control system change literature. The next section discusses this.

2.5.0 The Location of the Thesis within the Management Accounting and Control System Literature

The above review points to an increased interest among researchers in the areas of MACS changes. Much remains to be addressed and it is worth indicating some of this here. The major concern of current literature is around the theoretical perspective. Many researchers seem to employ an economic view of organisational change; that change promotes efficiency, effectiveness and improves accountability (Innes & Mitchell, 1990; Solomons, 1991; Cobb et al., 1995). There are, however, some critical and interpretive researchers on organisational change (e.g., Modell, 2001; Hussain & Hoque, 2002; Seo & Creed, 2002; Burns & Scapens, 2000). Research using perspectives such as institutional theory is required so as to problematise some of the change issues raised in the literature. Through case studies on MACS changes, the institutional theory framework can be extended further.

Burns and Scapens (2000), Burns (2000), Soin et al. (2002), and Scapens (2006) have posited that scholars have paid little attention to the micro processes of institutionalisation. The current study intends to investigate a micro process of institutionalisation within TFL. In doing so, the study is novel to the accounting literature in that it examines the institutional contradictions that were at play at TFL and how institutional entrepreneurs exploited the contradictions to introduce MACS changes.

The cultural and political contexts of LDC's may be different from those of Western industrialised society and this fact can impact the change process. Coupled with this, context-oriented empirical case studies with a focus on transition companies and the complexities surrounding "change and continuity" have a low priority in the literature (see V'amosi, 2000). The literature dealing with MACS changes has mostly portrayed changes as occurring without much resistance (Abernethy & Chua, 1996; Soin et al., 2002; Busco et al., 2006). As Fiji's cultural and political contexts are different from western industrialised

countries, it may be interesting to see if the specific cultural and political forces have impact on change process within TFL. The next section summarises the chapter.

2.6.0 Summary

This chapter has reviewed the literature on management accounting and control system changes in both developing and developed countries. Reviews of literature on studies in less developed countries reveal that accounting research needs to address issues of culture and politics in organisational settings (Alawattage et al., 2007; Alam, 1997). It is the intention of the thesis to contribute towards this literature.

It has also been noted that little emphasis has been placed on studying organisations in transition (V'amosi, 2000). This study intends to provide an interpretive methodological approach which provides an “alternative” dimension to the MACS changes in developing countries. Having reviewed the related literature and indicated the location of this thesis in that literature, the next chapter elaborates the methodology, theory and methods employed in the study.

Chapter 3: Methodology, Theory and Methods

3.1 Introduction

This chapter explains the methodology, theory and methods used in the thesis. Llewellyn (1992) notes that the concern for researchers lies in recognizing which perspective is appropriate for any research effort. Laughlin (1995) points out that methodological choices are inherent in the research process and need to be explicitly stated to enable a clear understanding of the researcher's prejudices and assumptions. The next section examines the choice of methodology for the thesis.

3.2 Choice of Methodology

The thesis rejects the view that there is an objective world separate from the researcher whose job is to record or capture that reality. Parker (2008) points out that interpretive researchers are advised to avoid emulating the characteristics of the positivist researcher community. Rather, a subjectivist methodology is adopted for the thesis. In this approach, the author is a part of the reality he or she records. The researcher interacts with those researched and attempts to capture their understanding of a subjective reality. It is on such understandings that interpretations of individual actions are based. The aim of interpretive research is to capture the lived experiences of actors being studied (Chua, 1986, 1988; Parker, 2008). In essence, the interpretive researcher seeks to make sense of the conduct of human actors.

Chua (1986, p. 615) summarises the aims of interpretive research:

interpretive knowledge reveals to people what they and others are doing when they act and speak as they do...the aim of the interpretive scientist is to enrich people's understanding of the meanings of their actions, thus increasing the possibility of mutual communication and influence.

This approach may involve analysis of human interaction (e.g., Ahrens, Becker, Burns, Chapman, Granlund, Habersam, Hansen, Khalifa, Malmi, Mennicken, Mikes, Ponzozzo, Piber, Quattrone & Socheytt, 2008). The focus of interpretive research is on exploring how organizational order is created and on how the members of the organisation construct common understandings. These common

understandings become the structure which is produced and re-produced by individuals in their daily interactions.

So the objective reality for an individual in an organisation is socially constructed, that is, created by actors in constant interaction with one another. Individuals become socialized into behaving in particular ways. Individuals conduct their day-to-day activities within the socially constructed norms and rules. These norms or rules exist because they are produced and reproduced in everyday life. They may become institutionalized, taken-for-granted and used to typify experiences of actors.

Interpretive research offers an alternative to “traditional” positivist approaches and offers unique potential to contribute to theory (e.g., Armstrong, 2008; Ahrens et al., 2008). Unlike positivist researchers who research the subject at a distance, interpretive researchers have direct engagements with the groups they are studying (Parker, 2008). The data are collected at the scene of the action, with the aim of capturing actors’ understanding from inside, and capturing multiple constructed realities. Table 1 summarises the assumptions of interpretive research as outlined by Chua (1986). These assumptions will be adhered to in the thesis.

The theoretical emphasis in interpretive research is to explicate human action in order to understand how social norms and rules are produced and reproduced by individuals in their day-to-day activities. Ahrens et al. (2008) note that theory can be a powerful tool by which interpretive researchers convey the richness and analytical detail of their work. Institutional theory is adopted (and adapted) for this study. The next section discusses the theoretical approach used for the study.

Table 1 Dominant Assumptions of the Interpretive Perspective

<p><i>A. Beliefs About knowledge</i> Scientific explanations of human intention are sought. Their adequacy is assessed via the criteria of logical consistency, subjective interpretation, and agreement with actors' common- sense interpretation. This approach encourages ethnographic work, case studies, and participant observations. Actors are studied in their everyday world.</p> <p><i>B. Beliefs About Physical and Social Reality</i> Social reality is emergent, subjectively created, and objectified through human interaction. All actions have meaning and intention that are retrospectively endowed and that are grounded in social and historical practices. Social order is not a natural phenomenon but an accomplishment. Conflict is mediated through common schemes of social meanings.</p> <p><i>C. Relationship between Theory and Practice</i> Theory seeks to explain action and to understand how social order is produced and reproduced.</p>

Adapted from Chua (1986, p.615).

3.3 Theoretical Approach

3.3.1 Introduction

A theoretical approach which allows interpretive study is the institutional perspective advanced by Burns and Scapens (2000). Burns and Scapens' (2000) model, an institutional perspective, is chosen as it is rooted in social construction of reality and was developed to show the role of strategic agency within institutional theory. Conventional institutional theory reified organisational practices by emphasising isomorphism within organisations. Before looking at Burns and Scapens' (2000) model, it is useful to discuss early institutional theorists. Initially, institutional theorists attempted to study institutionalization as a process of isomorphism (e.g., Meyer & Rowan, 1977; DiMaggio & Powell, 1983, 1991; Lounsbury, 2008).

Isomorphism relates to the adaptation of an institutional practice that is in force in other organisations. DiMaggio and Powell (1983, 1991) argue that organizations have to appear legitimate to their broader constituencies and stakeholders in order to secure the resources they need for continued survival. To gain this legitimacy, organizations have to be seen to conform to what is expected of them (DiMaggio

& Powell, 1983, 1991). Three classifications of institutional isomorphism have been proposed: coercive, mimetic and normative (DiMaggio & Powell, 1983, 1991). Coercive isomorphism results from both formal and informal pressure imposed on an organisation by another party upon which it is dependent, and by expectations of the society within which it operates. Mimetic isomorphism occurs when the organisation faces uncertainty that engenders organizations to model themselves after other organizations that they perceive to be legitimate. Mimicking others may act as a cost-effective way of getting legitimacy (e.g., DiMaggio & Powell, 1983, 1991; Mizruchi & Fein, 1999). Normative isomorphism is where the norms of society and professional bodies influence the practices of organizations. Normative pressures arise from specialized groups such as a profession.

While various kinds of professionals within an organization may differ from one another, they nevertheless manifest similarity to their professional counterparts in other organizations (see DiMaggio & Powell, 1991). DiMaggio and Powell (1991) argue that two aspects of professionalisation are central sources of isomorphism. One is the gaining of formal education, whilst the second is the growth and elaboration of professional networks that span organizations. Professionalism may be measured by elements such as university credentials. Organizations may hire individuals from firms within the same industry or recruit staff from a narrow range of training institutions. Individuals from the same training institutions or with similar university education tend to view problems in a similar fashion (see Meyer & Rowan, 1977; DiMaggio & Powell, 1991). Another example would be that of the accounting profession which inculcates preferred methods, practices and principles. Accountants manage organizations by using the same methods they have learned from training within the profession. For this reason, it is expected that accountants in different organizations would employ similar techniques. This phenomenon is attributed to the socialization of members within the profession.

Some institutional theorists elaborate on the reproduction of organizational structures, activities and routines in response to state pressure, the expectations of a profession or the external environment of the organization (DiMaggio & Powell, 1983, 1991). Covalski and Dirsmith (1988a, 1988b) suggest that an

organisation's survival requires it to conform to societal norms of acceptable behaviour. The advantages of compliance to institutional norms are revealed in the literature as increased prestige for the organization, stability, legitimacy, social support, acceptance in the profession and invulnerability to questioning (DiMaggio & Powell, 1983).

Some institutional theorists believe that organizations are open systems in that the external environment and its participants help to shape organizational structures and activities (Meyer & Rowan, 1977; DiMaggio & Powell, 1983, 1991). Organisations tend to develop relations and linkages within the larger systems of which they are a part.

Early empirical research almost exclusively emphasised isomorphism by showing how practices were similar to other organizations. DiMaggio and Powell (1983, p.148) defined an organizational field as comprising of those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organizations that produce similar services or products. This thesis argues that the focus on isomorphism limited the range of explanatory potential of institutional theory. Earlier institutional theorists emphasised a distinction between technical forces and legitimacy. This was apparent in empirical research that emphasized a two-stage diffusion process whereby early adopters of innovations are motivated by technical considerations while the later adopters engage in imitation fuelled by pressure to conform (Tolbert & Zucker, 1983, 1996). An over-reliance on isomorphism by earlier institutional writers appeared to ignore human agents and their interests (e.g., DiMaggio & Powell, 1983, 1991; Tolbert & Zucker, 1983). The interpretive theory that is adapted for the thesis is in line with that advanced by Burns and Scapens (2000), and is discussed in turn.

3.3.2 Burns and Scapens' (2000) Model of Institutional Theory

Burns and Scapens (2000) argue that an institutional framework can assist in the conceptualisation of management accounting change. Institution is defined as "a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of people" (Hamilton, 1932, p. 84). Institutions evolve through a process of routinisation of human activity. There is

a duality between action (human activity) and the institutions which structure that activity. This duality is the agency-structure relationship that has been debated in the past (e.g., Giddens, 1979, 1984; Archer, 1995). Burns and Scapens (2000) argued that organisational routines and institutional actors influence the process of management accounting change.

In many organisations, the management control system constitutes stable rules and routines (see Scapens, 1994). Rules are the “formally recognised way in which things should be done”, while routines are defined as “the way things are actually done” (Burns & Scapens, 2000, p. 6). Rules capture the formal characteristics of accounting systems: for example, rules are set through standard operating procedures, budget manuals and appraisal guidelines. Routines may encompass a group of individuals and represent patterns of thought that are habitually adopted by that group (Burns & Scapens, 2000).

Conventional institutional theory tends to emphasise the stability embodied in rule-based behaviour and routines in organisational systems. Nevertheless, the Burns & Scapens (2000) theory also considers that the rules and routines can change (for commentary, see Burns & Scapens, 2000). That is to say, studying management accounting change entails studying changes in organisational routines and how new patterns of behaviour are produced and reproduced (see Soin et al., 2002).

The main element of Burns and Scapens’ (2000) institutional theory model is depicted in figure 1, which draws significantly on the conceptualisation of institutionalisation developed by Barley and Tolbert (1997). The distinction in Burns and Scapens’ (2000) model from that of Barley and Tolbert’s (1997) model is in the notion of scripts by the latter which is rephrased as rules and routines by Burns and Scapens (2000). As seen from figure 1, Burns and Scapens (2000) draw the distinction between the ‘realm of institutions’ and ‘realm of action’, with rules and routines linking the realms through the processes of encoding, enacting and reproduction. The institutional realm and the realm of action signify Giddens’ two realms of social systems: structure and action (for commentary, see Barley & Tolbert, 1997). Barley and Tolbert (1997, p. 97) note the institutional realm as representing “an existing framework of rules and typification derived

from a cumulative history of action and interaction.” The model is based on Giddens’ (1979) model of structuration. The institutional practices are encoded in rules and routines that, in turn, are enacted in specific situations (Johnson, Smith & Codling, 2000). The resulting behaviours revise or replicate the rules and routines that informed the action. The recreated rules and routines thus become objectified and externalized, and constitute new institutional practices encoded in the behavioural rules and routines, the next cycle of enactment. The model accounts for the interdependence and interpenetration of action and institutionalism and how organizational change occurs through revision of behavioural rules and routines (for commentary, see Johnson et al., 2000; Burns & Scapens, 2000).

Figure 1 The Process of Institutionalisation

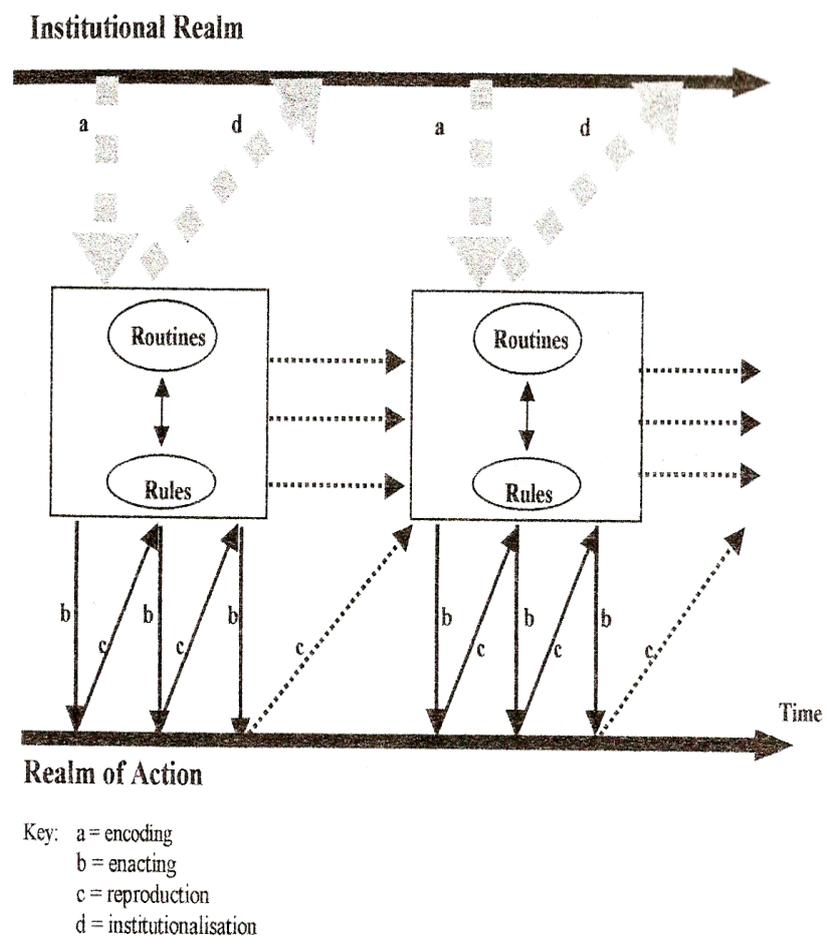


Figure 1. The process of institutionalization.

(Burns & Scapens, 2000, p.9)

The Burns and Scapens' (2000) model shows that institutionalization is a continuous process whose operation can be noted through time (see Barley & Tolbert, 1997). The central part of figure 1 illustrates the way in which rules and routines act as modalities, linking the institutional realm and the realm of action.

The four arrows (labelled a-d in Burns & Scapens' (2000) model) represent the synchronic (a and b) and diachronic processes (c and d). Synchronic refers to institution actions at a specific point in time, whilst diachronic refers to actions producing and reproducing institutions through their cumulative influence over time. In other words, vertical arrows (a and b) represent institutional constraints on action, whilst diagonal arrows show maintenance or modification of the institution through action.

The first arrow (arrow a) shows the 'encoding' of institutional principles in the rules and routines used in a particular setting. Berger and Luckmann (1967) suggest that encoding usually occurs during socialization. It involves an individual internalizing rules and interpretation of behaviour appropriate for particular settings. Formal organizational rules often define practices which embody institutions, covering activities such as hiring personnel, evaluating performance, or offering goods or service to customers (Barley & Tolbert, 1997, pp. 101- 102).

Burns and Scapens (2000) describe the second arrow (arrow b) of institutionalization occurring when actors enact rules and routines that encode institutional principles. In explaining this enactment, Burns and Scapens (2000) suggest that if actors realize that they are following a rule or routine, they will offer a rationale for doing this (e.g., "accounting requires this information"). In several cases, actors simply behave according to their perception of the way things are (Burns & Scapens, 2000).

The third arrow of institutionalization (arrow c) represents the degree to which behaviours 'revise or replicate' the rules and routines that informed the action. Finally, the fourth arrow (arrow d) of institutionalization depicts the objectification and externalization of the patterned behaviours and interactions produced during the period in question (Barley & Tolbert, 1997).

Burns and Scapens (2000) point out that from time to time, new rules and routines may emerge, and this is illustrated by the separate boxes. Burns and Scapens (2000) note that in various organisation activities, routines may emerge which deviate from the original rules, or were never set out explicitly as rules. In such instances, new routines become formalised as rules. For example, Total Quality Management practices can be summarised in a standard Total Quality Management manual of procedures. This can be used to train new staff and to avoid knowledge being lost when existing staff leave the organisation. Here the process moves from routines to rules (as shown in the middle box in figure 1). Burns and Scapens (2000) point out that there can be a two-way relationship between rules and routines.

The two separate boxes in figure 1 show that, by comparing the second box with the first box, one can assess that change in rules and routines has occurred. Through such comparison, one can identify the social context that produced the observed outcomes and perhaps link the findings to other indicators of institutional change beyond those found in the research site.

Institutional theory attempts to explain phenomena in "processual terms, teasing out why and how things become what they are over time" (Burns, 2000, p. 571). Scapens (1994) emphasizes that human agency is essential for study within an organisational setting. In their actions, the individual actors may produce and reproduce new practices through new rules and routines.

However, the Burns and Scapens' (2000) model is not clear on how the institutional change emerges; when and how the agents may change the rules and routines is not so apparent. The essential questions that the model does not extend to are: Where does the contextual change come from (e.g. from an idiosyncratic and exogenous or endogenous force)? and when and how do actors come to a point where they recognise the need to change existing institutions? (e.g., Seo & Creed, 2002).

To better explicate MACS changes, Burns and Scapens' (2000) model of institutional theory may need further refinement. While Burns and Scapens

(2000) suggest that contextual change may emanate from exogenous shocks, there is only a very brief discussion of this within their model. It is apparent that exogenous shocks are outside the given model in figure 1. Criticisms of the model have already been made in the literature (e.g., Dillard, Rigsby & Goodman, 2004). Dillard et al., (2004) point out that while Burns and Scapens' (2000) model may be appropriate at the organisational level view, it is limited in recognising higher levels of societal, political and economic issues that influence and define organisational context. The next section examines how Burns and Scapens' (2000) model can be extended to explicate MACS changes.

3.4.0 Refinement of Burns and Scapens' (2000) Model

3.4.1 Introduction

Scholars such as Seo and Creed (2002) have argued that once institutionalised, the rules and routines may become accepted unquestioningly by organisational participants. Seo and Creed (2002) criticise the Barley and Tolbert (1997) model used by Burns and Scapens (2000) in the accounting literature. Burns and Scapens (2000) reproduce Barley and Tolbert's (1997) model and replace the notion of scripts with rules and routines. Seo and Creed (2002) argue that the institutionalised routines become a force of stability and resistance to change. This creates a problem for institutional theorists such as Burns and Scapens (2000) who seek to explain changes in accounting practice. If institutions are defined by their stability, how is it possible to explain change? The problem has been discussed by Seo and Creed (2002) as the problem of "embedded agency." If actors' behaviour is influenced by institutionalised rules and routines, how is it possible for the agents to change those rules and routines? Burns and Scapens' (2000) model, as discussed previously, is silent on the sources of contextual change in actors' behaviour. Their theorisation also does not extend to how actors individually and collectively come to a point where they (the actors) recognise the need for collective action to change existing rules and routines. The Burns and Scapens' (2000) model also fails to reflect the scope for resistance to change, which is considered in this study as an important aspect of institutionalisation process.

Explanations of change often involve the introduction of some external “jolt” or “crisis” that forces change, but the exogenous forces seem to be outside the theory. Both Barley and Tolbert (1997) and Burns and Scapens (2000) hardly discuss exogenous shocks before actors can make collective choice to change institutional rules and routines. Institutional theory, as advocated by Burns and Scapens (2000) has limitations as it cannot provide a complete understanding of change. Embedded actors may be constrained by existing institutional arrangements which are a source of stability rather than change within an organisation. A major challenge of institutional theory is to show how actors shaped by (i.e. embedded within) existing institutional arrangements become motivated and enabled to promote change in those arrangements.

According to Seo and Creed (2002), institutional arrangements create various inconsistencies and tensions (contradictions) within and between social systems, and these foster change processes. Ongoing social construction may produce some contradictions, and generate tensions and conflicts within social systems that may shape actors consciousness and action to change the present order (Seo & Creed, 2002). Institutional contradictions are driving forces for institutional change (DiMaggio & Powell, 1991). A contradiction can be defined as a combination of features that produces an unstable tension in a given system (Clemens & Cook, 1999).

This thesis attempts to overcome the problem of embedded agency by integrating notions of agents and structure from institutional theory perspectives (see Barley & Tolbert, 1997; Hirsch & Lounsbury, 1997; Beckert, 1999; Burns & Scapens, 2000; Lounsbury, 2008). The conflict/struggle within organisational actors’ interaction influences institutional embeddedness and thus their (institutional embedded actors) capability for institutional entrepreneurship (Greenwood & Suddaby, 2006). The thesis utilises three of the four sources of contradictions suggested by Seo and Creed (2002) as a basis for understanding the processes of change.

Seo and Creed (2002) note that a few authors have produced a theoretical framework that addresses the sources of institutional contradiction (inconsistency) and the way in which contradictions may lead embedded agents to take collective

action for institutional change. Seo and Creed (2002) identify the sources of institutional contradictions that bring about institutional change as (1) legitimacy, that undermines functional efficiency, (2) adaptation, that undermines adaptability in terms of being resistant to change process, (3) intra-institutional conformity, that creates interinstitutional incompatibilities, and, (4) isomorphism, that may conflict with divergent interest. These contradictions will be discussed in depth in the ensuing section. Not all organisation actors may produce all four types of contradictions. Rather, as certain social relationships and actions become institutionalised over a period of time, they are likely to produce one or more of the four types of contradictions. The first three contradictions will be utilised in the thesis. The next section examines in turn each of the institutional contradiction identified by Seo and Creed (2002).

3.4.2 Legitimacy that undermines functional efficiency

Institutional theorists assume that an organisation's legitimacy depends to some extent on forces other than technical efficiency; organisation actors gain legitimacy and necessary resources by becoming isomorphic with other organisations in their environment (Meyer & Rowan, 1977; DiMaggio & Powell, 1983, 1991). Conformity of organisational actors with institutional rules and routines may conflict with efficiency demands. Meyer and Rowan (1977) mention window dressing of organisational actors' activities in order to appear legitimate to external stakeholders, but without necessarily achieving technical efficiency. Conformity to external pressures could possibly increase rewards such as reputation and resources but at the expense of efficiency. Institutional theorists have accommodated this contradiction between efficiency and legitimacy through the concept of decoupling formal structure activities from technical activities (Meyer & Rowan, 1977), that is, through people acting not in accordance with formal rules and routines.

Seo and Creed (2002) point out that even if organisational actors make decisions that improve both legitimacy and technical efficiency, those decisions become suboptimal if new optimal solutions are not continually pursued and adopted by actors. Organisation actors may adopt an innovative practice as window dressing

which may give them legitimacy from stakeholders but the practices may not promote technical efficiency. This highlights the issue of how institutional rules and routines inhibit the continuous pursuit of technical efficient solutions, which leads to the next source of institutional contradiction: adaptation that undermines adaptability.

3.4.3 Adaptation that undermines adaptability

Institutional isomorphism that increases legitimacy is an adaptive move by organisational actors for survival. A paradox arises when such adaptive moves make adapters less likely to adapt over the long run. Once institutionalised, a structure or activity is produced and reproduced by organisational actors over time (Seo & Creed, 2002). It is in the reproduction that the structure is maintained or changed by the actors. Powell (1991) notes that efforts to change shared expectations are often resisted as they threaten individuals' sense of security and disrupt routines. Resistance in the form of taken-for-grantedness is an essential aspect of institutionalisation (Jepperson, 1991).

Seo and Creed (2002) point out that while institutionalisation is a source of stability for organisational actors, once it is in place, organisational actors are likely to be locked in and isolated from or unresponsive to changes in the external environment. The unresponsiveness creates a situation whereby contradictions between organisation actors and their external environment develop and accumulate over time.

3.4.4 Intra-institutional conformity that creates interinstitutional incompatibilities

The focus here shifts from the intra-organisational level to the extra organisational forces that influence the actions of organisational actors. For example, Meyer and Rowan (1977) suggest that organisation actors are embedded in pluralistic institutional environments that are imbued with inconsistent prescriptions for action, all supported by rationalised myth. Organisational actors may incorporate all sorts of incompatible structural elements, practices and procedures from their

external environment in their (organisation actors) continuous search for legitimacy and stability.

Institutional incompatibilities may also create institutional crisis. For example, exogenous forces such as sudden change in government regulations and deregulation or technological innovations (Seo & Creed, 2002) can appear to be the consequence of interinstitutional incompatibilities unfolding in the wider institutional environment. Once induced, the institutional crisis may break down institutional embeddedness, making institutional systems unstable (DiMaggio & Powell, 1991) and allowing a radical shift in actors' collective consciousness.

3.4.5 Isomorphism that conflicts with the divergent interests of actors

Seo and Creed (2002) consider that an institutional arrangement (institutional rules and routines) is the product of political struggle among participants who have diverse interests and asymmetric power (Seo & Creed, 2002). Existing institutionalised rules and routines are more likely to reflect the ideas and goals of powerful political contestants in the social arena. Organisational practices often endure as a result of the effort of those who benefit from them (Benson, 1977). The formation and reproduction of institutional rationality are unlikely to satisfy the diverging interests of all participants and particularly the interests of the less powerful in an organisation. Seo and Creed (2002) argue that those actors whose ideas and interests are not served by existing institutional arrangements may become potential change agents and take action to change present institutional arrangements (rules and routines).

The four sources of contradictions can be an impetus to institutional change through change agents and institutional entrepreneurs. The thesis utilises a theory of agency and structure (institutional realm) proposed by Burns and Scapens (2000) which is modified to incorporate the above concepts of institutional contradiction and shows how institutional change can eventuate through human agents (institutional entrepreneurs). The paradox of "embedded agency" may be resolved by the institutional entrepreneurs who are the internal change agents in organisations. What is argued in the thesis is that institutional contradictions may provide an opportunity for the institutional entrepreneurs to disrupt the existing

rules and routines within an institutional arrangement. The next section discusses the concept of institutional entrepreneurs.

3.5.0 Institutional Entrepreneurs and Change Agents

The thesis argues that the institutional entrepreneurs and external change agents may play an instrumental role to effect changes in response to institutional contradictions/inconsistency. Institutional entrepreneurs are internal change agents within an institutional setting (e.g., Beckert, 1999; Seo & Creed, 2002; Dorado, 2005). DiMaggio (1988) and Zilber (2002) define the notion of institutional entrepreneurs as individuals or organizations that act in discordance with the established institutional arrangements and may eventually change these institutional arrangements. Institutionalised structures, informal rules, and taken-for-granted routines come under pressure from agents who recognize their constraining quality. Beckert (1999) points out that the notion of the institutional entrepreneur introduces strategic agency into institutional organisation theory. It was DiMaggio (1988) who introduced the notion of institutional entrepreneurs as agents who have an interest in specific institutional structures and who command resources that can be applied to influence institutionalized rules, either by supporting existing institutions or by using them for the creation of new institutions.

Insights into institutional entrepreneurship may help to advance an extended view of institutionalization (e.g., Dorado, 2005; Leca, Battilana & Boxenbaum, 2006), which views actors as both embedded in institutional arrangements (rules and routines) and as developing creative activities. DiMaggio (1988), in his introduction of the institutional entrepreneur, turns to a resource mobilization argument that states that institutions are changed by actors who command the resources necessary to successfully influence institutional designs towards their interests. Garud, Hardy and Maguire (2007) point out that the institutional entrepreneurs create a whole new system of meaning that may include change in organizational practices. The notion of an institutional entrepreneur is a concept that reintroduces agency, interests and power into institutional analysis of organizations. Institutional entrepreneurs pursue goals related to the realization or

enhancement of their own interests and values (Beckert, 1999; Lounsbury & Crumbley, 2007).

Beckert (1999) uses Schumpeter's (1911) definition of entrepreneurship to develop the definition of the institutional entrepreneur. Schumpeter (1911) describes the entrepreneur as the innovator who leaves behind routines. The entrepreneur devotes his/her attention to new options, takes over unusual tasks and realizes new combinations in the production process, against the adaptive pressure of his/her social surroundings (Beckert, 1999, p. 786). While managers respond to changes by adaptation, entrepreneurs respond creatively (Schumpeter, 1911). So the entrepreneur takes a reflective stance towards established practices. The other aspect of entrepreneurs is the concept of creative destruction (Beckert, 1999). This refers to simultaneously destructive and constructive consequences of innovation. Although innovations destroy traditional practices, they do so by simultaneously providing models of alternative ways of fulfilling a task. The entrepreneur is the distinguished type of social actor who has the capability to take a reflective position towards institutionalized practices and can envision alternative ways of getting things done. Entrepreneurs destroy established, taken-for-granted rules if they believe such action to be profitable (Beckert, 1999). Leca, Battilana and Boxenbaum (2006) note that, to qualify as institutional entrepreneurs, actors must break with existing institutions (rules and routines). Seo and Creed (2002) postulate that the creation of alternative institutional arrangements (rules and routines) is triggered by the actors' ongoing experience of contradictory reality.

The notion of institutional entrepreneurship is relevant to the institutional realm (structure) versus realm of action (agency) debate, implying that actors can disengage from their existing rules and routines and act to change the rules and routines. At the organizational level, institutional entrepreneurs can pursue goals such as change in organizational practice. The paradox of "embedded agency" can be overcome by institutional entrepreneurs as they are able to envision alternative institutional arrangements and develop them. The institutional contradictions trigger organizational actors to act as institutional entrepreneurs (Seo & Creed, 2002). The ongoing experience of contradictory institutional arrangements enables a shift in collective consciousness which transforms actors

from passive participants in the reproduction of existing institutional arrangements (rules and routines) into institutional entrepreneurs. Institutional entrepreneurship has been a major step in the introduction and development of agency into institutional theory (Dorado, 2005). The next section examines the integrated model of the theoretical approach for the thesis.

3.6.0 An Integrated Model for the Theoretical Approach

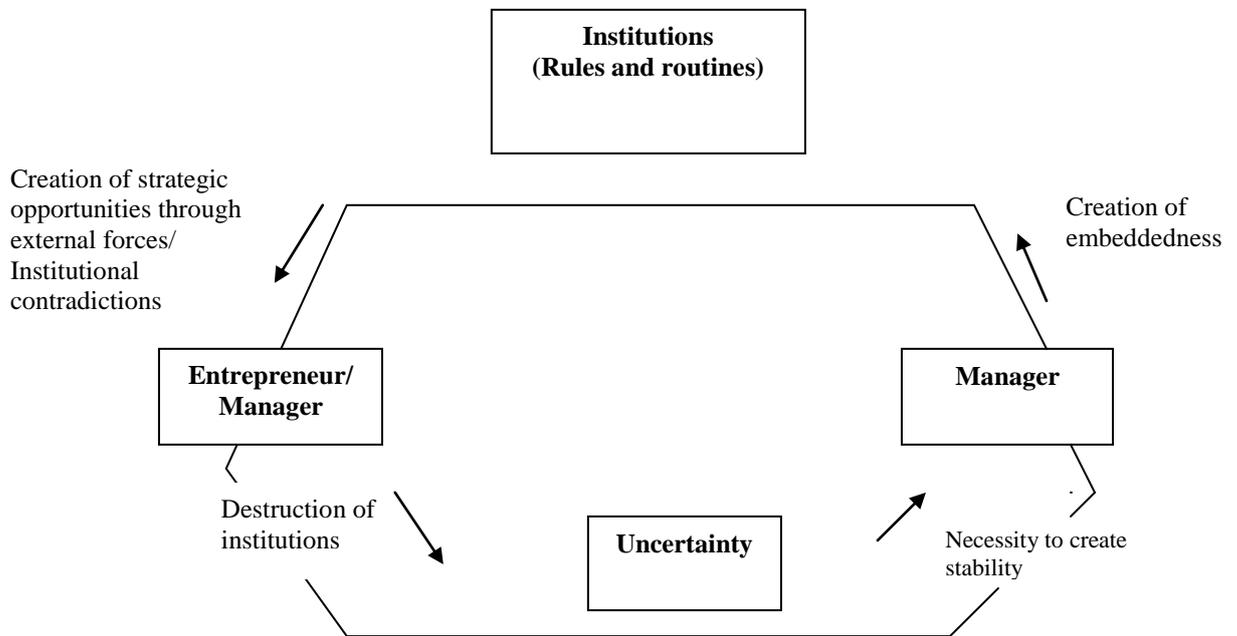
Figure 2 depicts the theoretical process of the model adapted for the thesis to explore innovations at TFL. Institutional contradictions exist in an organisation's relationships with external constituents or within day-to-day interaction of actors within an organisational setting. The pluralistic external constituents may place different demands on the organisational actors to achieve. Competing rules and routines may be present, creating tensions and conflicts for organisational actors in their ongoing social interactions within organisational settings or with the external forces. The contradiction/inconsistency allows institutional entrepreneurs to set up alternative rules and routines as the existing ones may be in conflict through the interaction of organisational participants. Figure 2 depicts the process of institutionalisation as institutional entrepreneurs destroy existing institutions and create the need for a re-embedding process by managers which, in turn, re-establishes institutional stability.

The model shows that the development of social contradictions triggers change vis-à-vis institutional entrepreneurs. Contradictions enable a shift in social actors' collective consciousness from an unreflective and passive mode to a reflective and active one. Some uncertainty is created, however, with the help of reflective and active institutional entrepreneurs such as managers, who may mobilise other actors to bring about changes in institutional arrangements (rules and routines), so the uncertainty is reduced.

It must be emphasised that, despite the institutional contradiction/ inconsistency, external agents' actions may still be critical to provide the "jolt" for change. For example, external consultants may be brought in to induce change emanating from the contradictions of social interactions by organisational actors. According to Abrahamson (1996) and Kitay and Wright (2004), consultants do take advantage

of uncertain managers through selling the latest management fad or fashion. Consultants are seen as “merchants of meaning”, well skilled at manipulating the impressions of their clients (Czarniawska-Joerges, 1990). Kitay and Wright (2004) argue that, like modern day merchants, consultants convince clients to pay exorbitant fees for intangible service which they present as unique and high in “value added” (p.3). What is also argued in the thesis is that, apart from institutional contradiction and organisational actors that trigger change, the change may also stem from an external “jolt” (e.g., Laughlin, 1991).

Figure 2 A Dynamic Model of Institutional contradiction, Institutional Entrepreneurs and the process of Institutionalisation



(Source: Beckert (1999, p. 788), with slight modifications).

The modification that has been made to Beckert’s (1999) model is the additional external forces/ institutional contradictions before entrepreneurs/ managers act. The model has also added managers (institutional entrepreneurs) alongside entrepreneurs and have stated institution as encompassing rules and routines in the accounting literature. The Beckert’s (1999) model with slight modification drawn from Seo and Creed (2002) and Dorado (2005) have been used to add to management accounting literature which is novel and provides potential insight beyond the often used Burns and Scapens’ (2000) model in accounting literature.

The entrepreneurs (change agent) in the above model are classified into entrepreneurs and the management team (institutional entrepreneur). As seen from figure 2, this model of institutional theory offers explanation of change based on institutional forces or exogenous shocks (Beckert, 1999). As discussed previously, Schumpeter (1991) describes the entrepreneur as the innovator who leaves behind existing routines and creates new routines. External change agents such as the consultants may also come from the organisational field. In the absence of such external forces, the change may emerge internally from the management team or a steering committee established by management within the organisation. Beckert (1999) notes that while entrepreneurs (external change agents) are characterised by a reflective stance towards taken-for-granted rules and routines, the managers (institutional entrepreneurs) as a second social type, as introduced by Schumpeter (1991), orient their decisions on adaptation of the new routines created by entrepreneurs. It is the manager who corresponds closely, with the emphasis on mimesis and homogeneity in institutional theory. The managers are supposedly helpful in stabilising the change through the process of enacting, encoding and reproducing new practices on an ongoing basis (Burns & Scapens, 2000).

The thesis does not argue that the contradictions lead deterministically to change but assumes that institutional entrepreneurs mediate between institutional contradictions and institutional change. The introduction of new rules and routines may give rise to some uncertainty which the management team may be able to reduce through institutionalising the new rules and routines within an organisation.

Pfeffer and Salancik (1978, p. 67) define uncertainty as “the degree to which future states of the world cannot be anticipated and accurately predicted.” According to Beckert (1999), uncertainty may be a crucial element in the explanation of institutional change. The model shows that deinstitutionalisation of existing institutional rules and routines by institutional entrepreneurs produces uncertainty amongst organisational participants. The process of institutional re-embedding through the process of enactment and reproduction of new rules and routines may not be smooth but, in the end, friction may be overcome (Beckert, 1999).

Beckert (1999) notes that even in situations of high uncertainty, processes of adaptation will prevail. Actors seek continuity by shaping their actions in accordance with newly emerging institutions (rules and routines) (e.g., Oliver, 1991). Only re-institutionalisation through process of enactment and reproduction of new rules and routines may mean the re-embedding of rules and routines, and reduces uncertainty within organisational actors. Managers may be helpful in the re-embedding of rules and routines. Fligstein (1997) points out that institutional entrepreneurs (managers) are actors who have social skills to motivate cooperation from other actors by providing them with common meanings and identities. This may involve the creation of rules and routines that disparate groups can follow. This can be achieved through education and training programs. Fligstein (1997) emphasises other strategies such as agenda setting and framing action (p.399) for achieving stability in rules and routines. Agenda setting is an important tool whereby the institutional entrepreneur has the ability to set the agenda for other actors. Framing action is an approach whereby the institutional entrepreneur convinces other actors who do not necessarily share interests that whatever eventuates from new rules and routines is in their interests. Fligstein (1997) espouses that once a number of actors come on board, others will follow. The central issue is to bring enough actors on board and keep them there so that others may join them, either willingly or by default.

In much of the institutional theory literature, actors are depicted as passive recipients of institutionalised rules and routines, unconsciously enacting rules and routines. Institutional theorists have also viewed actors as active, rational opportunists (e.g., Oliver, 1991; Seo & Creed, 2002; Dorado, 2005). Such actors are willing to take any action for institutional change that will enhance their interests, unconstrained by existing rules and routines (e.g., Oliver, 1991; Burns & Scapens, 2000). Burns and Scapens (2000) claim that power (hierarchical power or power of a strong individual) can be used to introduce new MACS rules and routines. Power located elsewhere in the organisation may be mobilised to resist such MACS rules and routines.

The above model attempts to explain phenomena in processual terms, teasing out why and how actions become what they are over time. It is essential to study

human agency within an organisational setting, which the study intends to accomplish. In their actions, and through institutional contradictions, individual actors or entrepreneurs may produce and reproduce new rules and routines on an ongoing basis. New institutions can be produced and reproduced by institutional contradictions and institutional entrepreneurs on an ongoing basis, as shown by the model. Institutions are conceptualised as the taken-for-granted assumptions which define categories of actors, their appropriate activities and relationships (Burns & Scapens, 2000; Scapens, 2006). The Beckert's (1999) model has been modified to include aspects of Seo and Creed's (2002) theorisation of institutional contradictions and Dorado's (2005) conception of institutional entrepreneurs. The model depicts an integration of often used new institutional sociology theory and old institutional economics theory literature in accounting. The thesis adopts an inclusive view of the two theories rather than explicitly distinguishing them. After discussing, the theoretical model for the study, the next section presents the research method employed for gathering the empirical evidence for the study.

3.7.0 Research Methods

3.7.1 Introduction

The thesis collects empirical evidence from a case study of TFL through the use of semi-structured interviews and study of archival evidence such as annual reports, board papers, and other internal proprietary documents, including the corporate plan of the subject organization. The methods used are explained in the following section.

3.7.2 Collection of Empirical Evidence for the Study

The approach was to undertake qualitative research which focused on a case study strategy (see Yin, 1981, 1994; Scapens, 1990). Case study approach was chosen as it has an explanatory role and is critical for the process of theory construction and development. Interviews were used to collect empirical evidence. Those interviewed were considered to be the ones most involved with the change process such as the Chief Executive, Strategic Manager, Quality Manager, Chief Financial Officer, Accountants, General Manager- Access, Branch Managers and

Operational staff. Historical data on TFL when it was a government entity was gathered from published sources such as annual reports and from interviews with past employees and the existing employees who saw TFL transform from a government entity to a private company. Historical information on TFL was also gathered by visiting National Archives of Fiji in Suva. Visits were also made to the Commerce Commission office in Suva, the regulator for TFL, in order to view archival information on public submission of TFL services and pricing.

Data collection for the case study took place over a 5 year period from 2002 to 2006. The 5 year period allowed to capture ongoing changes at TFL and to facilitate interviews with a larger number of employees. The interviews provided the main information; a total of 47 interviews were undertaken in the 5 year period. Appendix 3 illustrates a list of interviewees. While reporting results on chapters 7, 8 and 9, anonymised reference numbers are utilised as provided in appendix 3 to reflect interviewees' subjective views.

The annual reports of the company provided background information to facilitate interviews. The first interview was done with the intention of gathering general information; in particular, the history of TFL was discussed identifying implications of accounting changes that came about over the last few years. The interviews were initiated with a semi-structured questionnaire, through a common set of general questions (see Appendix 2 for interview questions). The interviewees were encouraged to express their views in their own words. Even if they raised issues outside the interview questions, they were encouraged to elaborate on them.

All interviews except one were taped and transcribed. A random selection of the interview transcripts were given back to the participants to obtain a clear understanding of the issues involved. Interviews lasted between an hour and two, and the researcher made brief notes during and after each interview. In addition to interview transcripts, the collected annual reports, corporate report, board papers and other internal documents such as the Quality Manual and performance evaluation forms provided additional sources of information.

The topics selected for interviews related mainly to the organizational structural and strategic changes at TFL, and their implications on the MACS. These changes included the corporatisation of FPTL, separation of Post Fiji from FPTL which later became TFL, the implementation of accounting changes after corporatisation and the introduction of the Total Quality Management and balanced scorecard (financial and non-financial performance measures) at TFL. The interviews took place in formal surroundings: in board rooms of TFL and its parent company of Amalgamated Telecom Holdings Limited (ATH), and in the offices of the staff concerned. Interview guides were prepared in advance, but gradually these were used less in favour of new perspectives introduced by the respondents. Most questions were asked in an open-ended manner to help interviewees to respond in their own ways. The aim was to generate a rich source of field data.

Efforts were made to obtain a comprehensive understanding of respondents' self-reflection, language rationale and perceptions of MACS changes. Most of the empirical evidence came from interviews about the "change" phenomena and related thought and speech references about actions. The rationale for adopting this approach was to gain insight into the impact on, and the importance of, management accounting in the light of external events. It was nevertheless, not an easy endeavour to accomplish interviewees' subjective understanding of reality. The interviewees spoke about past events that had occurred some years ago. Possibly they talked of them differently during the interview than they may have done at that time of MACS implementation. The interviewees had time to rationalise and make sense of MACS changes after MACS had become embedded.

High priority was given to the respondents' own interpretations and perceptions of management accounting change. These efforts reflect the interpretive orientation and the preference for complexity recognition in the organization.

Empirical evidence was collected from 2002 to 2006 from TFL in the capital, Suva and its branches around other urban centres in Fiji. Post Fiji workers were also interviewed as they were part of TFL prior to 1996. Interviews were also conducted with Ministry of Public Enterprise employees as they were responsible

for the public sector reforms in Fiji. Management members of the parent company, ATH, were also interviewed. Interviewees included a range of people from within the organization and outside, such as Post Fiji and ATH. Interviews were not limited to financial personnel only but involved staff from all levels of the organizational hierarchy, from grass root level to the board level. Some interviewees, such as the Quality Manager and the Strategic Manager were visited more than once to obtain clarity of information.

The feedback on results was sought from participants and they agreed on the results. A few alterations were made on the interview transcripts by participants to give a better clarity to what they were trying to portray in interviews. The organisation management had said during the time of granting access to the research site that they can be publicly identified.

3.7.3 Evidence Analysis

Ansari and Euske (1987) and Creswell (1994) note that the evidence gathered from interviews and document studies can be analysed for patterns and themes. Tables were drawn that listed issues frequently raised in interviews. Several themes (such as change agents, new practices such as Total Quality Management, external influences on change and resistance to change) were drawn from the responses and the data representing these were clustered together. The documentary evidence collected was also subsequently matched with the themes as advocated by such authors as Tsamenyi et al. (2006). Institutional theory was drawn on to make sense of the empirical and documentary evidence gathered from the study in the context of MACS changes at TFL. The empirical evidence collected called for refinement and modification of institutional theory.

3.8.0 Summary

This chapter explained the methodology and methods used in the thesis. It has been argued that an interpretive approach using institutional theory is an appropriate research methodology for this qualitative interpretive field research as it offers the prospect of contributing important dimensions of knowledge to

accounting research. Seo and Creed's (2002) insights on institutional contradictions and Beckert's (1999) and Dorado's (2005) conceptions of institutional entrepreneurs were drawn on to expand institutional theory literature in management accounting. Beckert's model of institutional theory partly resembles Burns and Scapens' (2000) model of institutionalisation, with the exception that it is the institutional entrepreneurs who create changes in an organisational setting. Burns and Scapens' (2000) model which is based on Barley and Tolbert's (1997) model has been perceived by Seo and Creed (2002) to be a model of stability rather than change. For this reason, Seo and Creed's (2002) notion of institutional contradiction and Beckert's (1999) and Dorado's (2005) notion of institutional entrepreneurs were adapted to resolve the paradox of embedded agency or stability within the institutional theory literature, alongside Burns and Scapens' (2000) model. The institutional contradictions/inconsistencies provide an impetus for institutional entrepreneurs to carry out institutional change.

The chapter further argued in favour of multiple research techniques. Case studies are considered appropriate for the interpretive methodology, for they enable deeper and richer understanding of MACS within the broader social, political and organizational contexts. There is a need to study accounting and control practices at the various levels within organisations, and the relationship between these levels and various groups of managers. This would facilitate gaining the maximum benefits from the case study method of research in MACS. The next chapter discusses the background to the political, social, cultural and economic system of Fiji within which TFL is embedded.

Chapter 4: Background to the Socio-political System of Fiji.

4.1.0 Introduction

This chapter gives an overview of the wider political and social system within which Telecom Fiji Limited (TFL) is embedded. The wider social order and TFL's daily activities are intertwined. Deegan (2002) posits that society, politics and economics are inseparable and economic issues cannot meaningfully be investigated in the absence of considerations of the social, political and institutional framework in which the economic activity takes place (see also, Miller, 1994; Baxter & Chua, 2003). The wider political and social system influences the MACS processes within TFL. The next section outlines the physical environment and demography of Fiji.

4.2.0 The Physical Environment and Demography

The Fiji Islands lie in the South West Pacific between 15 and 22 degrees South, 177 degrees West, and 175 degrees East (see Appendix 4). Its sovereignty extends over 250,000 square miles, of which only 7,050 square miles constitute dry land. The archipelago includes approximately 300 reef-fringed islands, the biggest two being Viti Levu (4,011 square miles) and Vanua Levu (2,173 square miles). The current population of Fiji is approximately 827,900 (Fiji Islands Bureau of Statistics, 2008). Of this, Fijians comprise 57 percent of the total population, whilst Indians make up 38 percent and other races (Europeans, Chinese, Part-Europeans, Rotumans and others) comprise the remaining 5 percent. Indians, however, were outnumbering all other races prior to 1987 (see Appendix 5). The annual population growth rate for Fiji is 2.0 per cent (World Bank, 1996), while the GDP per capita is around US\$1,200 per annum (McMaster, 2001). The workforce of approximately 300,000 is well educated, and English is the official language of government (McMaster, 2001). The next section looks at aspects of the social, political and economic environment of Fiji.

4.3.0 An Overview of Fiji's Independence and afterwards

This section considers Fiji's independence from British colonial rule and the political development since then. Fiji was a British colony from 1874 until 1970 when it was granted independence. Since then, Fiji has faced a turbulent political environment. This is not to say that Fiji did not face turbulent times earlier. Prior to independence, the tensions and conflict culminated in the oil distribution industry strike of 1959 and the sugar cane growers' strike of 1960 (Narayan, 1984). The demands of the workers during industrial action varied considerably from wage claims, better working conditions, job security and fair treatment of workers to claims for higher prices for their produce (Narayan, 1984). During the oil distribution strike, there was considerable anti-government and anti-foreign company feeling throughout the capital city of Suva. There was damage to private property which was selective. The public anger was vented mainly through damaging the buildings of large employers, most of whom were foreign companies. Some colonial officers and police were also assaulted. Narayan (1984) postulates that the assault on the police and damage to government property were indicative of strong anti-colonial government feelings.

After independence, Fiji witnessed four coups. The democratically elected governments were overthrown and democracy was subsequently restored after the first three coups. With the reinstatement of democracy, some strings were attached such as the stipulation that only indigenous Fijians from a chiefly family background can be appointed President and Vice President. The appointment of President and Vice President is made by a group of tribal leaders who belong to a group called "the Great Council of Chiefs" which draws support from the Fiji government through the Ministry of Fijian Affairs.

However, a fourth coup eventuated in December 2006 led by Commodore Frank Bainimarama and currently Fiji is led by an interim administration. The deposed government of Laisenia Qarase referred his removal case to High Court. The judges made ruling in favour of Bainimarama's military regime, that the removal was legal. However, Qarase referred his grievances to Fiji's Appeal Court in 2009 which made the ruling in favour of Qarase, that his deposed government was lawful. The Appeals Court ruled that a caretaker Prime Minister be appointed

who would lead Fiji to democratic elections. However, Fiji's President decided to abrogate the constitution and dismissed the judges instead. He then reinstated Bainimarama, once again, as interim Prime Minister. Currently Fiji is governed by an interim administration backed by the military with various new released Decrees in the absence of a constitution. Bainimarama is also involved in investigating corruption in the previous administration: to this end he has set up an investigatory anti-corruption unit.

4.3.1 Independence

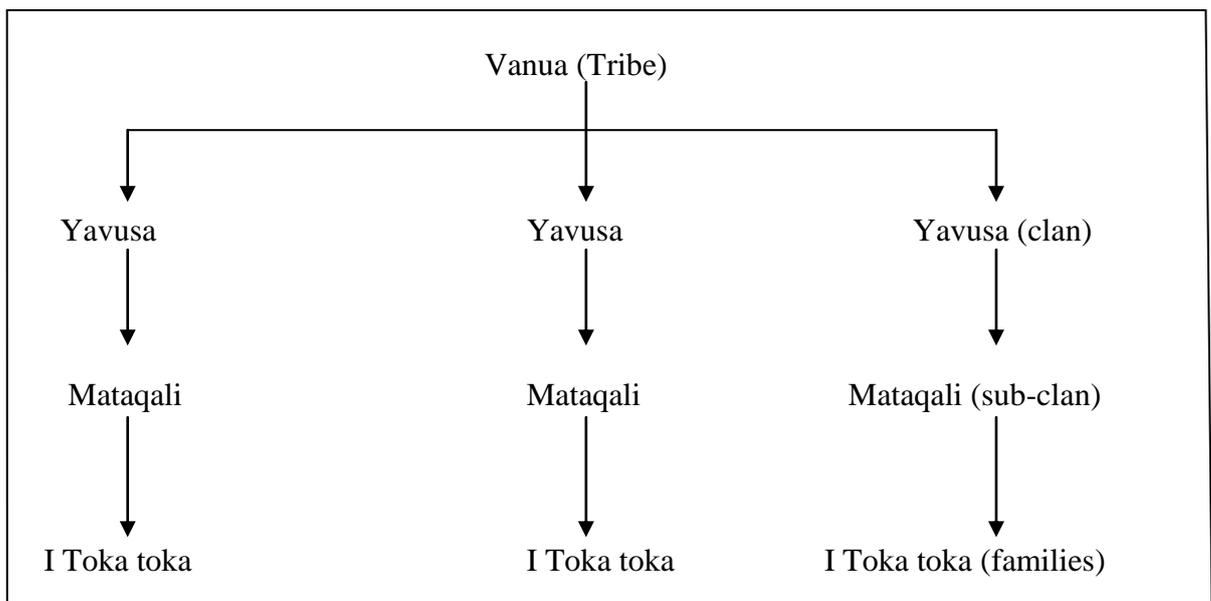
In October 1970, Fiji became an independent sovereign democratic state within the British Commonwealth after 96 years of British colonial rule (Lloyd, 1982). This amounted to the restoration of political power, which the native rulers of Fiji had surrendered to Britain in October, 1874. Many of the provisions of the 1970 and the post-coup 1990 constitutions and administrative processes bear a resemblance to those which prevailed in pre-cession Fiji and during the colonial era. Of particular significance are the provisions which confer preferential status on Fijians in matters relating to land ownership and for the conduct of administration affairs within the Fijian community. This facilitated the formation of a communal electoral system that encouraged racialism and segregation along ethnic lines. Several commentators (Lloyd, 1982; Lal, 1992; Kamkamica, 1997; Alam, Lawrence & Nandan, 2004) argue that the unstated presumption behind colonial rulers policy was that the Fiji Islands belonged to the Fijian community and that, by right of their prior settlement of the islands, the Fijians had at all times a prior claim to the use of as much land as was necessary for their maintenance and support.

To prohibit land sales, the control of land was taken away from the indigenous owners and given to a government statutory authority (Native Land Trust Board). The Native Land Trust Board (NLTB) was responsible for issuing leases in return for rent; the Board administered all native land for the benefit of the ethnic Fijian owners and it exists as a prominent institution in Fiji today. The NLTB retains up to 25 per cent of the rent to cover its administrative costs and 25 percent goes to the chiefs of the upper level of the social hierarchy, while the members of the 'mataqali' (village) share the remaining 50 percent (Alam, Lawrence & Nandan,

2004). Traditional administration also safeguards the land, traditional customs and way of life for ethnic Fijians (Alam, Lawrence & Nandan, 2004). The Great Council of Chiefs is the apex of the Fijian administration system while the Fijian Affairs Board is its main executive arm that forms part of the central government. In the case of traditional administration, the country is divided into 14 provinces, each of which is headed by a *Roko Tui* (Head of a Province).

At the apex of the Fijian social structure (illustrated in Figure 3) is the *vanua*, formed of the agnatic descendants of a common ancestor living in the same general area. Each *vanua* would have one or more *yavusa*, the members again agnatically related (Alam et al., 2004). The *yavusa* is composed of several *mataqali* whose members are, in turn, the agnatic descendants of a son of the *yavusa* founder. Within each *mataqali* are one or more extended families. Figure 3 illustrates the Fijian social structure.

Figure 3 Fijian Social Structure



(Source: Alam et al., 2004, p. 142)

A Westminster style of bicameral legislature was established by the 1970 constitution. The House of Representatives consisted of 52 members. Of these, 22 are Fijians, 22 are Indians, and the remaining eight are the General Electors⁷. A Fijian-dominated government under the Alliance Party ruled the country for 17

⁷ General Electors represent the minority groups that reside in Fiji. These include the Chinese, Europeans, part- Europeans, Pacific Islanders and other minority groups.

years after independence. This was under the Prime Ministership of Ratu Sir Kamisese Mara. The opposition was the National Federation Party, predominantly an ethnic Indian party. In 1985 the multi-racial Labour Party was formed. This party attempted to promote the interest of labour and the poor. At the same time, the Labour Party was critical of both the Alliance and the National Federation Party as serving the interests of the rich and ignoring the claims of workers, the unemployed and poor which the Labour Party claimed to serve. The Labour Party later formed a coalition with the National Federation Party and fought the 1987 elections. This coalition won the elections and later came to power. Doctor Timoci Bavadra (an indigenous Fijian) was elected the new Prime Minister of the country. Many indigenous Fijians saw this as the erosion of their political control (Lodhia, 2003) as the government was composed of majority Indo-Fijians, although the cabinet was constituted of equal numbers of indigenous Fijians and Indo Fijians.⁸ This government was short-lived as a military coup was staged on 14 May 1987 which overthrew the democratically elected government. This restored Fijian supremacy in political affairs. The perpetrators of the coup justified their actions in terms of returning the power to the indigenous Fijians and as a means of promoting indigenous aspirations. The next section discusses the military coups of 1987 and its implications for the economy.

4.3.2 The Military Coup of 1987

The 1987 military coup was led by Major Sitiveni Rabuka, a high ranking military officer. As a result, the 1970 constitution was abrogated and the country came up with the totally new 1990 constitution which introduced an electoral system that compartmentalised voters on ethnic lines. This curbed racial integration through voting on the basis of ethnicity: ethnic Fijians could only vote for ethnic Fijians while Indo-Fijians could only vote for Indo-Fijian candidates. The 70 communal seat parliament had 37 seats for the Fijians, 27 for Indians, 5 for General Electors and 1 for Rotumans.⁹ This ensured that indigenous Fijians have political

⁸ In Fiji, Indo-Fijians refer to people of Indian descent.

⁹ Rotumans are people who originate from the island of Rotuma in Fiji. Although the island has been politically part of Fiji, Rotuman culture resembles that of the Polynesian island, to the east, most closely with Tonga and Samoa. Because of their Polynesian appearance and distinctive language, Rotumans constitute a recognisable minority group within Fiji.

supremacy over all other races in Fiji, although the indigenous Fijian and Indo-Fijian population were almost of the same size at that time (see Appendix 5).

The economy, however, was on the verge of collapse following the coup (Lal, 1992). There was a massive outflow of capital, suspension of the tourist industry and a decline in sugar production stemming from droughts, hurricanes, and delayed harvesting, with a sharp fall in the country's foreign reserve. As a result, the Reserve Bank devalued the currency by 35 per cent in 1987, imposed exchange controls, cut salaries in the public service and reduced grants to the public sector (Lal, 1992). These measures helped to ease the economic situation, but more was needed to revitalise the depressed economy. To achieve this end, the interim government emerged with a number of policies such as the Tax-Free Factory/ Tax Free Zone schemes, deregulation policies and corporatisation of public sectors. The above measures led to a strong recovery with a growth rate of 11.8% in 1989 as against 1% in 1988 (Nandan, 1997). In the period 1990-1994 the growth was around 2.5%. In 1996, the growth rate expanded to 3% from 2.1% in 1995 (Reserve Bank of Fiji, Annual Report, 1996).

The 1990 Constitution of the Republic of Fiji reaffirmed racial differentiation and conferred differing rights on the two main ethnic groups in Fiji (for commentary, see Alam, et al., 2004). The indigenous Fijians retained political dominance and control of natural and material aspects of the environment, including ownership of land, forests and fishing rights. It did not take long for the Fiji government to realise that the 1990 Constitution was unworkable. This stemmed from an increasing international pressure on Fiji to adhere to the principles of democracy. Fiji was suspended from the Commonwealth and in order to re-enter the Commonwealth, she had to come up with a constitution based on democracy. The ethnic Indian political parties also provided an impetus for the revision of the constitution.

Set up in 1995, a three-member review team recommended 697 changes as part of 1990 Constitution reform (Alam et al., 2004). The approved revisions engendered the emergence of the 1997 Constitution which was welcomed by the international community and Fiji was readmitted into the Commonwealth. In the revised 1997 Constitution, most of the 1990 clauses on Fijian land ownership and political

supremacy had been safeguarded, but the constitution provided for cross voting across ethnic lines.

The Labour Party won most seats in the 1999 elections and, together with other minority parties, in the spirit of multiracialism was able to form a People's Coalition Government that was headed by an Indo-Fijian. After being in office for a year, it was overthrown on 19 May 2000 through a civilian coup led by failed businessman George Speight. Speight had backing of a section of the Fiji military forces, Counter Revolutionary Warfare Unit, to carry out the coup. The next section discusses the civilian coup of 2000.

4.3.3 The Civilian Coup of 2000

Under the 1999 elections, Mahendra Chaudhry became the first Indo-Fijian Prime Minister of Fiji. His reign was short-lived owing to a terrorist coup led by failed businessman, George Speight. Speight attributed the coup to indigenous Fijians' dissatisfaction with the government. The political impasse surrounding the 2000 coup lasted longer than the previous 1987 coup. Hostages in the 2000 coup were held captive for a period of 56 days while people were required to carry on businesses as usual.

The legitimate government of Fiji had been taken hostage. George Speight, the perpetrator of the coup, claimed that his action was warranted in order to put control back in the hands of indigenous Fijians. Singh (2001) reports that many people had not reconciled to the Rabuka government's defeat, and they included nationalist Fijians, defeated politicians and opportunistic Fijians who were denied the fruits of power in the changed government. The underlying rationale for the 2000 coup seemed to lie in the competition for power among the indigenous Fijians.

To make matters worse, at the height of coup a group of terrorist Fijians took over the Monosavu Hydroelectricity Dam. This resulted in the rationing of electricity supply. People were supplied with electricity for intervals of two hours as the electricity company relied on generators which could not supply the whole

population at one time. Some parts of the country received electricity for the first two hours while others received power for the next two hours, and so on. The terrorist Fijians curtailed the inflow of water to the power station and demanded compensation for the use of their land. They claimed that it was a long standing demand of over 20 years which still had not been resolved. Many other grievances were also expressed by the indigenous Fijians through actions such as the blocking of public roads and the taking over of Korovou town to express their grievances in the absence of a government. At the height of the coup there were also selective burning of Indo Fijian businesses and looting in the capital, Suva.

Fiji has experienced four such armed overthrows of democratically elected governments in 20 years (with the latest in 2006). The coups, as described previously, took place owing to a section of the indigenous Fijian population feeling displaced and suffering a loss of power by the change in government.

Shortly after the 2000 coup, Laisenia Qarase was appointed as the caretaker prime minister. In June, 2001 he formed a “Soqosoqo Duavata ni Lewanivanua Party” (Fijian United Party). Parliamentary elections were held in August 2001 which provided Fiji with a democratically elected government and gave a mandate to the government headed by Prime Minister Laisenia Qarase. However, some uncertainty still dominated the political arena of Fiji. Under the 1997 Constitution, Qarase was expected to offer the Fiji Labour Party cabinet positions as the latter had won 28 seats against Qarase’s 32 seats. Qarase declined to fulfil this expectation and the matter was referred to the Appeals Court which made the ruling in favour of the deposed Labour members that they were entitled to be in government. To the Labour Party, Qarase had offered 14 cabinet positions with minor portfolios in an expanded 36 member cabinet which lacked the Fiji Labour Party leader Chaudhry (Fiji Live, 24 November, 2004). However, Chaudhry claimed that his party was entitled to 17 such seats and had referred the matter back to the Supreme Court. The Supreme Court ruled that the two leaders had to decide on the makeup of a multiparty cabinet. Chaudhry had instead taken up the opposition leader’s position and posited that the supporters of his party claimed strong opposition to joining a government that had no respect for the constitution, and that had mismanaged the nation’s finances (Fiji Live, 24 November, 2004). Chaudhry seemed to refer to the agricultural scam under Qarase’s administration

whereby millions of dollars had been lost and only a handful of people seemed to have been prosecuted so far.

Chand (2006) points out that since 1986 there have been 13 governments in Fiji, which makes the political environment quite turbulent. Table 2 summarises the governments in Fiji since April 1987.

Table 2 Governments in Fiji

Period	Type of Government
April 1987	Elected democratic government
April 1987- May 1987	Elected democratic government deposed in a military coup.
May 1987- September 1987	Military appointed government deposed in a military coup
September 1987 – December 1987	Military government
December 1987- April 1992	Military appointed government
May 1992- February 1994	Elected government under the undemocratic 1990 Constitution; loses budget vote and resigns.
February 1994- May 1999	Elected government under the undemocratic 1990 Constitution.
May 1999- May 2000	Elected government under a democratic constitution; deposed in a military- backed terrorist coup.
May 2000- July 2000	Government held hostage by military backed terrorists. No effective government but military claims power.
July 2000- March 2001	Military appointed government resigns after a court decision declared it illegal.
March 2001- September 2001	Military appointed government re-appointed and backed by the military.
September 2001- December 2006	Elected government under a democratic constitution, deposed in December 2006 military coup
January 2007 onwards	Military appointed government.

The coups carried social costs which Fiji had to bear. Social problems in Fiji have actually elevated since the coups (Halapua, 2003). As in most other countries, the victims of social problems are invariably the poor, the powerless and the weak. Women and children seem to have been affected significantly by the breakdown in social order since 1987 (Halapua, 2003). The Fiji Women’s Crisis Centre report (2001) reported that after the 2000 terrorist coup, women’s lives were changed as a result of a “multitude of factors: job losses, pay cuts, fear and insecurity, sexual assaults, domestic abuse, family tensions, land issues and emotional trauma” (2001, p.1). Many garment factories in Fiji had to close as a

consequence of the 2000 coup and this impacted on many families, especially those in the low income groups. Women were the first victims of this occurrence (Halapua, 2003). The ensuing section explores some of the social problems that Fiji faced as a consequence of the coups.

4.3.4 The Social Problem after the 2000 coups

A survey was undertaken by Save the Children Fiji (SCF), a non-government organisation, on the impact of the 2000 crisis on children, families, communities and organisations. The political crisis of May 2000 resulted in greater unemployment and political instability and enhanced the pace of economic and social change (SCF, 2001). SCF reports an increase in poverty. The Fiji Sun (15 December, 2004) highlights that poverty is the main cause of dropouts in primary and secondary schools in Fiji. Although the Ministry of Education has introduced the policy of compulsory education in line with the right of every person to basic education and equal access to educational institution, the purpose is defeated when some children are inhibited by poverty from attending school.

Almost 25 per cent of the people in Fiji live below the poverty line (Kumar & Prasad, 2004; Prasad & Reddy, 2002). The Fiji Census (1996) report posits that 31,761 Indo-Fijian households suffered below average or inferior conditions. This constitutes 46 per cent of all Indo-Fijian households in the country in 1996 (see also Kumar & Prasad, 2004). The political crisis has placed low-income families at a considerable risk of malnutrition. “At every school visited, malnutrition has reportedly escalated since the crises” (SCF, 2001, p.4). The significant increase in the number of unemployed people throughout Fiji has created serious consequences for children and families (SCF, 2001). Recent years have seen an increase in the number of people requesting assistance from government and NGOs, the greatest number of people begging on the street and an increasing number of malnourished children (SCF, 2001).

Ongoing land tenure and use issues have led to an increasing number of families (mainly Indo-Fijians) being displaced, often after multi-generation livelihood on the same land. In certain instances, families have vacated their homes at short

notice without the required financial resources for resettlement. No resettlement assistance had been offered to the evicted farmers by the Qarase government in terms of finance to resettle them elsewhere, although the previous Chaudhry government was offering F\$28,000 for the resettled farmers. Ethnic Fijians, on the other hand, are given F\$10,000 to take over sugar cane farming on this land. Many of these evicted families of mostly ethnic Indians now live with relatives or reside in squatter settlements in or near urban centres (SCF Report, 2001).

Many skilled people of both Fijian and Indo-Fijian ethnicity left Fiji for countries with greater political stability and better working conditions. Both the Fijian Teachers Association and the Fiji Nurses Association tell of the increasing number of qualified teachers and nurses who have emigrated (SCF, 2001; Gounder, 2001). The Fiji Islands Bureau of Statistics (2003) reports that 5,590 people emigrated in 2000 and 5,877 in 2002. Most of these emigrants are presumably skilled workers. Lal (2003) reports that between 1987 and 1996, 5,100 Indo-Fijian professionals emigrated, of whom, 21 per cent were architects, engineers and related technicians, 15 per cent accountants, 31 per cent teachers, 12 per cent medical, dental, veterinary and related workers, and 21 per cent other professionals. The impact of their loss on Fiji is visible and acutely felt, especially in the areas of health and education. Once reasonably self-sufficient in medical personnel, Fiji now imports doctors and nurses from overseas and there is an increasing shortage of science and mathematics teachers as well (Lal, 2003). Fiji Live (10 November, 2004) reports that the World Bank has also highlighted Fiji's brain drain as posing a major challenge for the country's development. In its report on East Asia and the Pacific, the Bank highlighted that one of the biggest issues facing Fiji was its high level of emigration by skilled workers. Around 0.7 percent of the nation's population of skilled workers left the country in the first 10 months in 2004 (Fiji Live, 2004).

Having discussed the social problems, the next section concentrates on yet another military coup that took place on December 5, 2006 that ousted the democratically elected government of Laisenia Qarase's "Soqososqo Duavata ni Lewavanua" (Fijian United Party).

4.3.5 The Military Coup of 2006

On 5 December 2006 Fiji's military commander, Commodore Frank Bainimarama, seized control of the country in the fourth coup in 20 years. There had been a long war of words between Frank Bainimarama and Laisenia Qarase over the controversial bills that Qarase was intending to introduce, including the granting of pardons to those involved in the 2000 coups and the ownership of coastal and marine resources (*Qoliqoli bill*) by the tribes in Fiji. Bainimarama was against these bills and asked Qarase to withdraw them, which Qarase refused.

After seizing power, Commodore Bainimarama accused the deposed Prime Minister, Qarase, of corruption and of leading Fiji down a path of economic decline and shambles. Bainimarama also claimed that Qarase's proposed legislation to offer amnesty to those responsible for the 2000 coup which he (Bainimarama) helped put down and also Qarase's attempt to bring in other controversial bills such as the ownership of coastal and marine resources by tribal groups (through, "qoliqoli" bill) would severely affect the tourist industry as payment needed to be made to the tribes for the use of coastal areas in Fiji by the hotel industry. Another reason advanced by Bainimarama for the coup was that the deposed prime minister had created tension in the military by trying to have Bainimarama removed.

Bainimarama did not then abolish the 1997 Constitution and declared that all government agencies, including the courts and ministries (which were under the control of their chief executives), would continue to function. He argued that the military believes in the constitution and that the takeover was constitutionally justified under the doctrine of necessity in the constitution. He claimed to have stepped into the shoes of president and in this capacity, under section 109(1) of the constitution, he (as the president) is empowered to dismiss the Prime Minister, Laisenia Qarase.

On January 2007, Bainimarama handed back presidency to Ratu Josefa Iloilo. On 15 January 2007, 15 cabinet ministers backed by the military were sworn in by President Ratu Josefa Iloilo while Bainimarama was appointed interim Prime

Minister. Bainimarama claims that electoral boundaries need to be determined on the basis of recent population census before the election is held. He also wants all the previous government's corruption cases to be investigated, to which end he has set up an anti-corruption unit. He has established a Peoples' Charter which aims to build a better Fiji, into a non-racial, culturally vibrant and well-governed society. To this end, the 40-member "National Council for Building a Better Fiji" has been set up by Fiji's President (Fiji Government Online: www.fiji.gov.fj). However, the deposed Qarase government filed a case against their removal in Fiji's High Court. The High Court judges ruled in favour of military. However, Qarase appealed the case, and the Appeals Court ruled in favour of Qarase and gave the verdict that a care taker Prime Minister other than Qarase be appointed who would take the country towards democratic rule. However, soon after the Appeals Court decision, the Fijian President abrogated the 1997 constitution and sacked all the judges. The President claimed that the elections will be held in 2014 after electoral reforms are completed. Currently, Fiji is led by an interim government backed by the military.

Having discussed the 2006 coup, the next section discusses the Fijian cultural context within which TFL is embedded. Culture shapes accounting and control systems in organisations. The Fijian culture may be a useful aid to explain actors' behaviour in an organisational setting.

4.4.0 Fijian Cultural Context

According to Hofstede (1980), culture is a vital influence affecting a country's accounting environment. Culture has been defined as "the collective programming of the mind which distinguishes the members of one human group from another" (Hofstede, 1980, p.25). In an effort to develop an acceptable and empirically based terminology to describe culture, Hofstede (1980) identifies four distinct dimensions which he considers to be reflective of the cultural orientation of a country.¹⁰ The four dimensions are: individualism versus collectivism, large versus small power distance, strong versus weak uncertainty avoidance, and

¹⁰ Hofstede's cultural dimensions are just one-albeit influential scheme for describing cultural characteristics and have been criticised by some. However, Hofstede's cultural dimensions are predominantly used in the accounting literature.

masculinity versus femininity. The ensuing paragraphs discuss these dimensions as they apply in Fijian culture.

Individualism versus Collectivism

Individualism represents a loosely knit social framework in society wherein individuals are expected to take care of themselves and their immediate families only. Collectivism, its opposite, denotes a preference for a tightly knit social framework in which individuals can expect their relatives or other in-groups to look after them in exchange for unquestioning loyalty. The Fijians are still devoted to their communal social structures and obedient to their chiefs (Achary, 1998a, 1998b). The traditional Fijian socio-economic system remains pervasively cooperative, communal and village-oriented (Lloyd, 1982). The chiefs undertake the responsibility for making decisions on behalf of the people as a right coupled with duty and, in return, receive strict loyalty and obedience to their authority from the people (Lawson, 1990).

The Fijian chiefs had given their islands to Great Britain in 1874 by a Deed of Cession. In exchange, the British government promised to protect Fijian interests. The colonial rulers opted to preserve the integrity of the villages as subsistence communities. The villages were grouped in provinces, each administered by an official, normally a local hereditary chief, responsible to the secretary for Native Affairs. The need for labourers grew with the increased level of trade. To meet the planters' labour needs the government indentured workers from India (Norton, 1981).

Upon arrival, the Indians were assigned to estates that were at that time monopolised by an Australian owner, the Colonial Sugar Refinery Company (CSR). Even after the expiry of the indenture contracts, most Indians chose to stay in Fiji, and for several decades were joined by a small stream of free settlers from India (Chand, 2003). Some of the Indians who resided in Fiji became shopkeepers or artisans, while others entered the civil service or professions; a few became wealthy businessmen and landlords. They purchased land that Europeans had already acquired from Fijians. The vast majority also took up small farming. Kelly (1988) posits that after the indenture system, the Indo-

Fijians exhibited characteristics of individualistic, materialistic and capitalist norms. Ali (1980) elaborates that:

for Indians the indenture system provided a lesson and an ethos: to survive one had to make sacrifices and live a life of industry in an intensely competitive capitalist system....It provided them with the incentive, determination, orientation, acquisitiveness and individualism for success in a capitalist system (p.12).

The Indo-Fijian society embodies a loose knit social framework when compared with that of Fijians. However, its members are still devoted to their ancestral and customary practices to support (either financially or socially) their immediate family members (see Ali, 1980). It needs to be noted, however, that most businesses in Fiji are owned by one section of Indian community, the Gujeratis who originate from the Gujerat State of India.

Large versus Small Power Distance

The critical issue in the power distance dimension is how society deals with the fact that people are unequal. Societies in which power seems to be distributed unevenly can retain this structure as this satisfies the psychological need for dependence of the people without power. Large power distance societies silently accept a hierarchical order in which everybody has a place, which requires no further justification, whereas people in small power distance societies strive for power equalisation and demand justification for power inequalities.

Fiji has a large power distance society that accepts a hierarchical order. The important facet of the ethnic- Fijian lifestyle is that their culture naturally appreciates silence as an imperative form of communication and social respect (Achary, 1998b). Silence is respected once authority is exercised (Nayacakalou, 1978). The chiefly-based structure of control and power permeates every aspect of indigenous society (Davie, 2000). Achary (1998b) notes that silence in Fiji is culturally patterned and embroiled in societal communicative behaviour. In the case of Indo-Fijians, the power distance seems to be low when compared to that of the Fijians (see Jayawardena, 1975 and Lal, 1992).

Strong versus Weak Uncertainty Avoidance

Strong uncertainty avoidance societies maintain rigid codes of beliefs and behaviour, and members are intolerant towards deviant persons and ideas. In studying Fiji's inter-ethnic cleavage, scholars such as Ali (1977, 1980), Premdas (1978) and Norton (1990) have interpreted ethnic Fijian conservatism as a fear of being "overrun" by the Indo-Fijian population. They assert that conservatism operates against forces of change, and that conservatism in less developed nation highlights the "opposition to change" or antimodernization element but is defined as either nativism or traditionalism. Watters (1969) studied the socio-political characteristics and economic prospects of four Fijian villages and noted that:

...although Fijian society has changed greatly in a century and a half of contact, it is still one of the most conservative societies in the South Pacific (p. 2).

Nayacakalou (1975) argues that:

One of the most powerful reasons why they [the ethnic Fijians] have been wary of "change" is the threat of Indian domination. As long as this threat remains, it will be difficult for them to wholly accept the idea of change even though they may be completely convinced of the necessity for it. For they hold the view that their only answer to the threat is unity among themselves and that the only way to preserve this unity is to rally behind their chiefs and the Fijian Administration, united by a common heritage of which they are proud (p. 138).

Lawson (1990) observes that the simplistic presentation of these arguments avoids the more difficult issues of explaining precisely why the "Fijian people" have felt the need to defend this neo-traditional identity with such tenacity. He elaborated that it may be more accurate to claim that many Fijian chiefs and conservative leaders have felt the need more as, in the context of national politics, they have needed to emphasise group solidarity in order to retain power (Lawson, 1990). Similarly, in collaboration with a minority of Indians, most Europeans, part-Europeans and Chinese, the Fijian chiefs formed the Alliance party, and claimed the retention of ethnic representation would, by preserving the peace, guarantee increased foreign investment and expanding employee opportunities (Norton, 1981).

In the case of Indo-Fijians, the structure of family relations is mediated through the activities and purposes of the household; where the context of the family

relations is best understood in terms of the independence required to maintain a household, defining concretely in the process the relations between husband and wife, parents and children and between siblings (see Chand, 2003). Hence, in the Indo-Fijian society it is the cooperation required to maintain a household that gives form and meaning to the family (Jayawardena, 1975).

The foregoing analysis demonstrates that Fiji has strong uncertainty avoidance where rigid codes of belief and behaviour are maintained and members are intolerant towards deviant persons and ideas. The Indo-Fijian community has also shown its unity and solidarity stemming from the political instability, the events of the 1987 and 2000 coups and the continuing crisis thereafter.

Masculinity versus Femininity

Hofstede (1980) calls those societies with a maximised social sex role division “Masculine”, and those with a relatively small role division “Feminine.” Masculinity stands for a preference in society for achievement, heroism, assertiveness and material success. Femininity, on the other hand, stands for relationships, modesty, caring for the weak, and quality of life. In Fiji, there is a preference in society for relationships, modesty, caring for the weak, and the quality of life. Fijians have extended families with strong allegiance to the village chiefs. In the case of Indo-Fijians, this attitude of care is fast being lost in the urban Indo-Fijian society. However, the attitude of care in the Indo-Fijian community is prevalent amongst rural dwellers (see Lal, 1992).

The analysis in this section demonstrates that there is evidence of some cultural differences between the two major ethnic groups in Fiji: the Fijians and the Indo-Fijians. The Fijian culture largely exhibits characteristics of collectivism, large power distance, strong uncertainty avoidance and a feminine society. The Indian culture exhibits silence and uncertainty avoidance. As Indians are now a minority population of about 36%, the Fijian culture is predominant at organisational level. However, there are some similarities in the two cultures as illustrated in the foregoing sections. The next section summarises the chapter.

4.5.0 Summary

This chapter provided an overall view of the wider political, social and cultural system within which TFL is embedded. Fiji is faced with political turbulence. There have been four coups in the last 20 years in which democratically elected governments have been overthrown by the military. Widespread social problems resulted from the 2000 coup. A survey by the SCF (2001) noted that amongst the social problems were the contention over land-use issues, the increased mobility and break-up of families, domestic violence and uncertainty about the future which continue to profoundly affect the children. Also many skilled people of both Fijian and Indo-Fijian ethnicity have left Fiji for countries with greater political stability and better working conditions.

The chapter also examined the Fijian and Indo-Fijian cultural context and noted that Fijian society is characterised by large power distance, collectivism, strong uncertainty avoidance and feminine society. The Indo-Fijian culture is characterised by silence and strong uncertainty avoidance. In rural areas, the Indo-Fijians still have extended families. However, in urban centres, the nuclear family is more predominant amongst the Indo-Fijian population. The next chapter examines the public sector reform policy imposed by the Fiji government in the 1980s.

Chapter 5: Public Sector Reforms in Fiji

5.1.0 Introduction

This chapter examines public sector reforms in Fiji, especially the restructuring of the economy insisted upon by international finance agencies. While institutional theory will be employed, a critical reflection on its adequacy as an explanatory theory will be offered later in the thesis (Chapter 7 onwards).

Structural adjustment policies such as public sector reform and deregulation have been invoked in an attempt to ease the economic problems of Fiji. Such policies are a consequence of the involvement of donor agencies such as the World Bank, International Monetary Fund (IMF) and the Asian Development Bank (Reddy, 1997). Following the coups in 1987, economic growth declined by 6.4 per cent in 1987, and stagnated in 1988. The sugar harvest was interrupted and tourist arrivals dropped by 20 per cent (Gounder, 2001). Gounder (2001) reports that during the period 1968 to 1996, Fiji received in constant 1970-71 prices in excess of US\$608m in aid. Public sector organisations, in particular, faced institutional and economic pressures emanating from conditions set by donor agencies. When public enterprises are faced with economic problems, the government may call upon the donor agencies for their assistance (Sharma, 2000).

International creditor institutions and donor agencies have promoted new public management (NPM) reforms in all developing countries (Ayeni, 2002). The central features of NPM have been said to include: a shift in emphasis from process accountability (input controls and bureaucratic procedures, rules and standards) to accountability for results (quantifiable outcomes, measures and performance targets); and, devolution of management control coupled with the development of improved reporting, monitoring and accountability mechanisms (Awio, Lawrence & Northcott, 2007). The claimed benefits of reform include improvements in efficiency, effectiveness and accountability in the public sector. Universally, the reforms were expected to engender greater public service responsiveness and increased choice of service providers (private as well as public) (Olson, Guthrie & Humphrey, 1998). The next section discusses the role

of the donor agencies of World Bank, the Asian Development Bank and International Monetary Fund within the Fijian economy.

5.2.0 External Institutional Pressures: Role of the World Bank, Asian Development Bank and International Monetary Fund in Fiji

The World Bank provides assistance by way of funding for the development projects in Fiji and operates an office at the Reserve Bank of Fiji in connection with the United Nations Development Programme. The International Monetary Fund (IMF) is a provider of funds or assistance in a like manner if the balance of payments is in deficit. In addition, the Asian Development Bank (ADB) assists the Fijian financial markets by providing staff for market development programmes. Their assistance entails certain project funding as well as, or in conjunction with, the World Bank.

So, the involvement of international financial organisations is an important aspect of the institutional environment for Fijian society. They have insisted on the implementation of private sector concepts in public sector organisations, as has been the experience in other countries (e.g., Hoque & Hopper, 1994, 1997). There were pressures on organizations to change their practices to be consistent with transnational institutions (Granlund & Lukka, 1998). Prominent sources of coercive pressure stem from international aid agencies upon which the State is dependent for borrowing requirements.

The ADB and the World Bank tend to finance development projects once their recommended suggestions have been implemented for a project. The ADB, for example, had urged the Fiji government to privatise its water supply department. Radio New Zealand International (www.nzir.com, 9 June 2004) reported that a US\$53 million loan from the international bank to improve the country's trouble-plagued water system could depend on the government accepting the bank's recommendations. It is likely that consumers will not be able to meet any increase in water bills driven by company profits and share prices. Green Left Online (www.greenleft.org.au, 16 March, 2007) elaborates that safe water is a universal entitlement and market based solutions, as recommended by donor

agencies, may not be appropriate. Corporatisation and privatisation can disadvantage the population as money and thrift begins to play predominant role in these organisations at the expense of providing basic amenities to the general population.

According to Kumar and Prasad (2004), privatisation is problematic for Fiji as, in the end, consumers suffer due to escalating cost and also 25 per cent of Fiji's population live below the poverty line. The Pacific Islands Report (2005) further illuminates the increasing number of applications for family assistance in Fiji, which manifests the demands and needs of the poor. The Social Welfare Department receives an average of 3,000 applications for State help annually. Kumar and Prasad (2004) note that the level of poverty in Fiji is rapidly increasing, stemming from poor economic performance over the last two decades. Some writers have argued that the poor economic performance stems from the government's policy failures and multi-dimensional crisis faced by the country since the early 1980s (Akram-Lodhi, 1996; Sutherland, 2000).

The World Bank and ADB are expected to make loans only where there are reasonable prospects of repayment. The loans given out by the Bank have to be expended for productive purposes only. In effect, the only requirement that the Bank imposes is that, before it grants loans, there shall be a clear agreement on how the proceeds of the loan are to be expended and on what the loan is expected to achieve. Such an initiative embodies coercive institutionalisation as accounting virtues in terms of repayment of loans are imposed on the borrowers. In order to gain legitimacy and receive funding, organizations have to comply with the rules and requirements of the donor agencies (Scott & Meyer, 1983).

There are pros and cons of privatisation and scholars such as Uddin and Hopper (2003), in a Bangladeshi case study, have questioned whether privatisation improves enterprise performance, facilitates development goals, distributes wealth fairly and induces effective controls, accountability and transparency. The World Bank's focus is on the narrow criteria of profitability. According to Uddin and Hopper (2003), development aims need to extend beyond commercial criteria to issues of poverty alleviation and reducing or narrowing income inequalities. Uddin and Hopper (2003) report that the obsession with market relations

engenders monitoring of progress through narrow indicators such as growth in GNP rather than other worthy development goals. Uddin and Tsamenyi (2004) echo this sentiment: that structural adjustment policies serve private interest rather than the public interest. Such rationale are relevant to this study as privatisation of TFL may mean increased costs to customers. Some members of the public may be deprived of telecommunication services.

After considering the roles of the World Bank and ADB, the next section discusses the State's public sector reform policy in Fiji. The Department of Public Enterprises which has been set up in Fiji is responsible for implementing the public sector reform programme. The Department of Public Enterprises (1998) promotes the public sector reform policy as one that increases economic efficiency and reduces the burden that the public enterprise sector currently places on the taxpayer. The Department of Public Enterprises is a source of coercive pressure on public enterprises to invoke reforms in line with the principles of new public management. However, it has to be noted that a consequence of economic efficiency is job displacement. This has worsened the social problems that Fiji has faced in the post coup years. Prime examples are the workers who have been laid off after the restructuring of the Fiji Electricity Authority, Airports Fiji Limited and Telecom Fiji Limited (Ministry of Public Enterprises and Public Sector Reform, 2002).

5.3.0 Public Sector Reform Policies/ Global Trends

Like other post-colonial societies, Fiji relied on its public sector for nation building and socio-economic development. The public enterprises offer essential products and services to Fiji: water, electricity, telephone facilities, and ports of entry. It was during the 1980s that the government began to dismantle State controls through a public sector reform policy. Public sector reform is an imperative part of the national policy agenda in Fiji. The government was committed, through the reform programme, to selling part of its interests in a number of public enterprises, with the proceeds used to repay debt. The stated rationale behind the reform was that many costly and loss-making organisations, when reorganised and commercially focused, would appear to be in a position to give government and the people of Fiji a better reward for the public funds

invested in them (Department of Public Enterprises, 1998). Sarkar and Pathak (2003, p.55) report that the government of Fiji has reformed most of its enterprises with the objective of enhancing “profitability, efficiency and accountability.” The Finance and Public Enterprise Minister, in a newspaper article in 1998, echoed these sentiments and identified the public enterprise reform as an avenue for the government to work smarter. He argued that it made sense to allocate resources to those areas that could use them more adequately and render the best returns. He further evaluated the reform programme as one in which:

We have a win- win situation. We receive value for the portion of our assets sold, yet we still enjoy higher returns on our remaining ownership, and as a bonus, retain those returns within Fiji for more capital developments.

(The Fiji Times, 7 November, 1998:3).

The Fiji government has further claimed that reforms were intended to ease the burden on the taxpayer. Fiji’s taxpayers have been continually asked to support ailing public sector enterprises making losses. “Losses from public enterprises were around F\$20 million a year, including foregone tax revenue” (Department of Public Enterprises, 1998, p.6). Public sector reforms were aimed at ensuring that government obtained higher returns from its investment and improved productivity by providing quality services to the people of Fiji (Ministry of Public Enterprises, 2002). The government’s expectation was that the restructuring of enterprises would improve performance. Reformed entities would add more revenue to the government’s coffers in the form of 31 per cent corporate taxes and dividends. The Ministry of Public Enterprises’ annual report (2002, p.20) reports that the commercialised government entities paid a dividend and taxes amounting to F\$3 million in 2002. The report further indicated that the momentum of reforms needed to be maintained in order to achieve improvements in performance (see Appendix 6 for change in profitability of commercialised government entities).

While a few enterprises have shown signs of economic recovery and profits, most still remain loss-laden entities (Sarkar & Pathak, 2003). Amongst the profitable public enterprises are Fiji International Telecommunications Ltd, Telecom Fiji Ltd and Air Pacific Ltd. The overall performance of the public sector has

remained weak, with return on assets to the government for public enterprises averaging only 2.7 per cent since 1992 (Department of Public Enterprises, 1998). There have also been increased job losses in the reformed enterprises (McMaster, 2001).

The public sector plays a significant role in Fiji's economy. "The public enterprise sector accounts for about 30% of employment and roughly 25% of investment in Fiji" (Department of Public Enterprises, 1998, p.9). In 1996, contingent liabilities of the government arising from ownership of public enterprises were about "F\$519 million which is approximately 28% of that year's GDP at factor cost" (Department of Public Enterprises, 1998, p.16). These contingent liabilities are largely attributed to government guarantees on public enterprise borrowing, in particular borrowing from the National Bank of Fiji, Fiji Electricity Authority and the Housing Authority.

The Fiji government has problematised public enterprise as engendering inefficiencies and indicating that reforms were vital for a more efficient and effective public sector (Department of Public Enterprises, 1999). In this way the public enterprises gain legitimacy, resources and stability by implementing new controls and techniques. The Fiji government used the Department of Public Enterprises (that has lately become the Ministry of Public Enterprises and Public Sector Reform) to invoke reform policies. The next section discusses the functions of the Department of Public Enterprises and Ministry of Public Enterprises and Public Sector Reform.

5.3.1 Department of Public Enterprises/ Ministry of Public Enterprises and Public Sector Reform

The Department of Public Enterprises was set up in Fiji to monitor activity in public sector enterprise and to encourage public enterprises to adopt commercial practices. The Department was established under the Public Enterprise Act of 1996 that governed the role and responsibilities of the Department and provided the structure for its operations (Kiran, 2003). The Department aims to create a new form of corporate governance that involves privatisation and increases competition with the aim of improving accountability, performance and the

shareholder value of public enterprises (Department of Public Enterprises, 1998). In 1999 the Department of Public Enterprises was transferred to the Ministry of Public Enterprises and Public Sector Reform (McMaster, 2001). At the moment the Ministry is monitoring 10 government commercial companies (GCCs) and 5 commercial statutory authorities (CSA) - see Figure 4. One of the senior economists at the Ministry of Public Enterprises and Public Sector Reform further elaborated on the monitoring process of public enterprises as:

We consider return on assets, return on shareholders' funds, return on equity and debt to equity ratio. If public enterprises are not performing then we discuss these with the boards in order to bring in measures to improve their performance.

(Interview 19 February 2004)

Such financial controls are intended to discipline resource utilisation in public sector enterprises and assume the symbolic role of legitimating the organisation. It has been argued that public enterprises gain legitimacy if they can emulate or symbolically reproduce rationality in terms of return on assets, return on shareholders' funds and other capitalist measures (Dillard et al., 2004).

The following documents are required by the Ministry of Public Enterprises for monitoring purposes:

- Annual corporate plan;
- Statement of corporate intent;
- Annual report;
- Half yearly report;
- Accounts- unaudited and audited and
- Reporting to parliament.

Figure 4 Government Commercial Companies and Commercial Statutory Authorities

Government Commercial Companies

- Airports Fiji Limited
- Fiji Hardwood Corporation Limited
- Fiji Broadcasting Corporation Limited
- National Trading Corporation Limited
- Post Fiji Limited
- Ports Terminal Limited
- Rewa Rice Limited
- Unit Trust of Fiji (Management) Limited
- Viti Corps Company Limited
- Yaqara Pastoral Company Limited

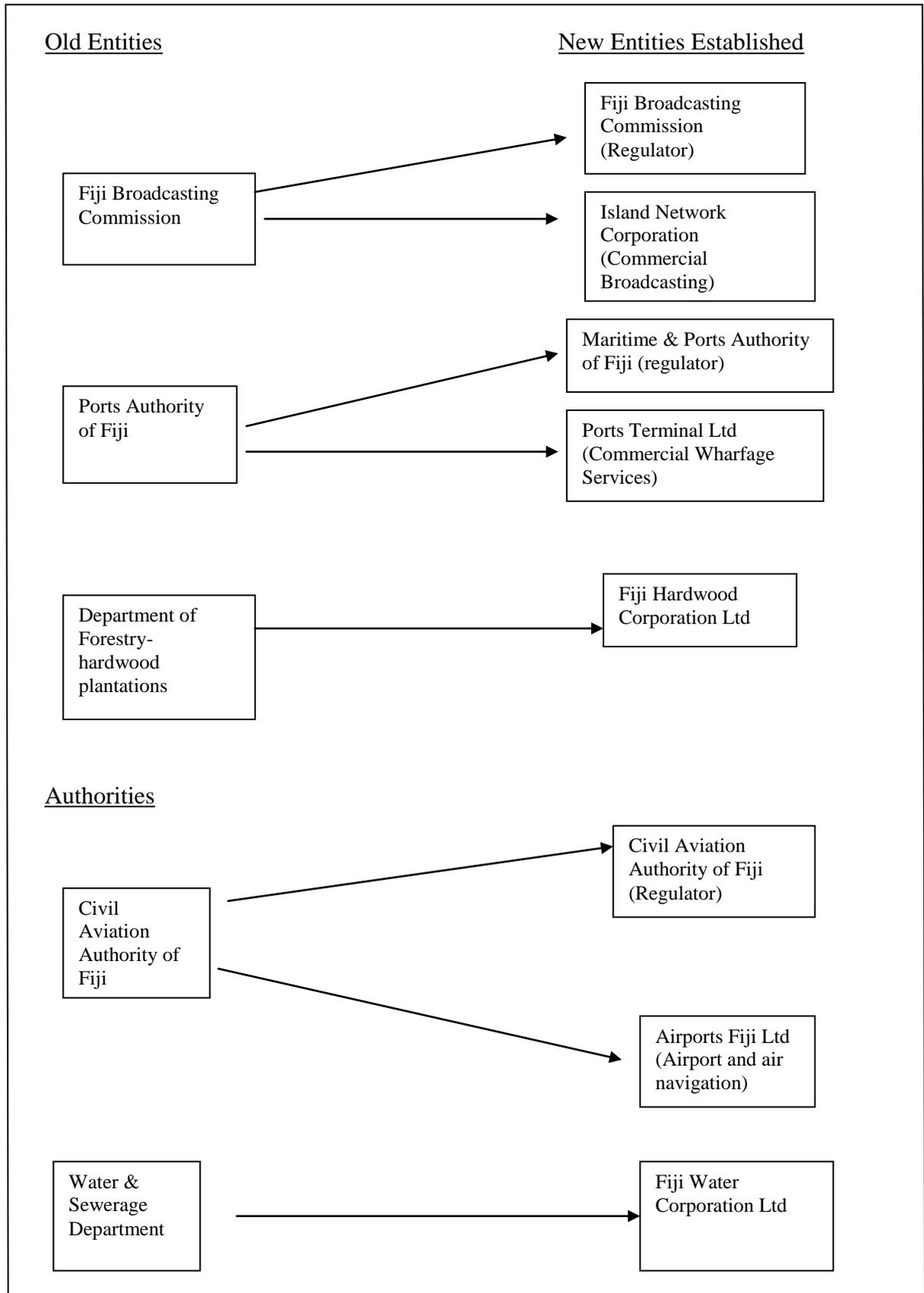
Commercial Statutory Authorities

- Fiji Electricity Authority
- Civil Aviation Authority of Fiji Islands
- Housing Authority of Fiji
- Maritime and Ports Authority of Fiji
- Public Rental Board

(Source: Ministry of Public Enterprises and Public Sector Reform, 2002)

The organisation chart of the Ministry of Public Enterprises is shown in Appendix 7. The Ministry was allocated a sum of about F\$4 million in 1999 for the implementation of reform programme (Ministry of Public Enterprises Annual Report, 2000). Over a three-year period, from 1997 to 2000, some F\$10.5 million was allocated by the Fiji government to implement the programme. The Ministry of Public Enterprises ostensibly exerted coercive pressure on public enterprises which were to run as businesses and were also required to earn a return on assets and shareholders' fund.

Figure 5 New Entities Established from the Public Sector Reforms



(Department of Public Enterprises, 1998)

The Department of Public Enterprises (1998) reports that the government has significantly invested in public sector enterprises. The return on these investments has been low. Some enterprises have never paid dividends or tax (Department of Public Enterprises, 1998). This is why the public sector reform programme was claimed to be so important to Fiji (Department of Public Enterprises, 1998).

Some of the major entities that have been established as a consequence of the public sector reform programme are illustrated in Figure 5. In the early stages of the reorganisation (1989-1992), four enterprises were corporatised: Fiji Post and Telecommunication Ltd, IKA Corporation Ltd (a fish canning company), Fiji Pine Ltd and National Marketing Corporation Ltd (Reddy, 1998).

The Public Enterprise Act (1996) provided the basis for a radically different governance structure of state-owned enterprises (SOEs). While the government remained the owner, its role was clearly established as part of a governance relationship. As a shareholder, the government appointed a commercial board of directors. Boards were given responsibility for strategic direction and commercial performance, with incentives based on commercial performance indicators.

The Public Enterprise Act was passed by the House of Representatives and the Senate in 1996 (Department of Public Enterprises, 1998). This Act provides a comprehensive legal framework for implementing the public sector reform programme. The Public Enterprise Act (1996) provides for:

- the reorganisation and corporatisation of nominated government entities
- the establishment of the principal objectives of Government commercial companies to be purely commercial
- the regulation of the structure, and relationship with the Government, of Government Commercial Companies, and
- the regulation of the reporting and accountability of Government Commercial Companies and Commercial Statutory Authorities.

(Public Enterprises Act, 1996, p.1049).

The Public Enterprise Act also provides for dividends; the dividend for a financial year shall not exceed the amount allowed under the Companies Act and the dividend needs to be paid within 6 months after the conclusion of the financial year. The Public Enterprise Act (1996) stipulates that each government

commercial company (GCC) or commercial statutory authority needs to have a statement of corporate intent for each financial year (p.1085). The statement of corporate intent constitutes the financial and non-financial performance targets for the activities of GCCs and Commercial Statutory Authorities.

A number of rationales were offered to justify the Public Enterprise Act. Government services to customers needed quality improvements. Appana (2003) espoused that the civil service type career paths failed to provide public enterprise employees with sufficient challenge and opportunities to develop their full potential. The expectation was that the restructured public enterprises would provide more relevant and meaningful career paths for staff, with promotion based on measurable performance. The Public Enterprise Act 1996 legislated a clear commercial imperative, the separation of governance and management, which was an important condition for radical change. The following section discusses the processes involved in the implementation of the public sector reform policy in Fiji and some of the local problems faced during such reforms.

5.3.2 Implementation and Local Problems

The Fiji government attempted to utilise a three-stage approach towards reform. The first stage is reorganisation, which is the process of commercialisation of the public enterprise in order to make it an effective and profitable commercial entity (Department of Public Enterprises, 1998). The first stage of reform is not intended to change the legal status of the enterprise. Rather, the aim is to implement business-oriented managerial practice in the enterprise (Sarkar & Pathak, 2003). Corporatisation, on the other hand, is a second stage of reform and entails a process of transforming the commercial activities of a government department or statutory authority into a limited company with commercial objectives (Department of Public Enterprises, 1998).

The final stage is privatisation, which attempts to transfer the government's shareholding in public enterprises, in whole or in part, to the private sector. The government's policy perspective is that commercialisation and corporatisation are interim measures. When the companies become commercially viable, they will be sold to private investors (Department of Public Enterprises, 1998). The

government would allow Government Commercial Companies (GCCs) at least three years to operate as commercial businesses before a decision is taken to privatise them. Privatisation would result in the companies being listed on the South Pacific Stock Exchange- Fiji's stock market. The financial market would place further coercive pressure on these companies for good governance procedures. Coupled with privatization and in line with the Government's "Blueprint", which spells out affirmative action for the indigenous Fijians, at least 50% of the government shares that are to be offered on sale to the public would be offered in the first instance to ethnic Fijian individuals and organisation/institutions.

The objectives of the privatisation programme have been identified by the Department of Public Enterprises (1998) as including:

- Improving the efficiency within the privatised enterprise in the provision of goods and services to the private sector and private consumers
- Facilitating more resources to be disseminated to other enterprises and sectors of the economy where they will be used more productively
- Reducing the burden on taxpayers and generating government revenue
- Stimulating capital market development, and
- Widening the ownership of shares in the productive assets of the economy.

(Department of Public Enterprises, 1998).

As part of the reform process, the government embarked on reducing its shareholdings in some of the companies in order to infuse new management and technical expertise and enhance wider shareholdings (McMaster, 2001). The companies and buyers involved:

- the majority-owned Air Pacific: Qantas Airways bought 28.55 per cent of the shares, reducing the Fiji government's shareholding to 51 percent
- the majority-owned Amalgamated Telecom Holdings: the Fiji National Provident Fund bought 51 percent of the shares, and

- the wholly-owned Tropical Food Processors: Freshpac bought all 100 percent of the shares.

(McMaster, 2001).

On its path towards privatisation, according to a senior economist of the Ministry of Public Enterprises, it is imperative that salary structures of Chief Executive Officers are improved. The senior economist of the Ministry of Public Enterprises further elaborated on the salary structures of reformed enterprises management:

after reform, the positions become contractual and will not be on a permanent basis. Thus, the risks are higher. Therefore with normally 3 year jobs, we have to pay a higher salary. This has to be matched with the private sector's chief executive officers. With reforms, the demands of management position of public enterprises increases.

(Interview with SEP, 23 February, 2004).

The corporate plan entails a performance contract in which shareholding ministers specify annual performance targets at the beginning of the year. The Public Enterprise Ministry ostensibly monitors performance against these targets during the year.

The growing demands for value for money and the introduction of markets for public service pose a challenge for management of public enterprises. Emphasis has been placed on using private sector governance procedures in the public sector. As a consequence, the decision making process surrounding the provision of services has become embedded with economic results at the expense of social benefits (Ogden, 1995b). Market-based models of public enterprises are becoming institutionalised. Public sector reform implies the replacement of a welfare focus from government with one which focuses on profits and market principles.

From the point of view of the power of professional groups, change occurred as power was transferred from engineers to other professional groups. The dominance of technical profession in these organisations, pre-reform, can be explained by the need for technical skills which were important for the early development of the industries. By the time of the transition, engineers had lost some of their influence and other professionals became a vital force in

organisational survival. At Telecom Fiji Limited, a human resource manager recalled:

In the government days we had a very few accountants, about 2 to 3 and around 100 clerks. The accountants had very little power. At about the same time, we had an abundance of very highly qualified engineers and technicians. Now it is quite the opposite. We now have a lot of accountants and financial analysts and they are a power base of the company.

(Interview with MHR, 20 January 2006).

Such extensive changes in professional demography and power relations were encouraged by new organisational policies whereby investment decisions had to be based on commercial and financial measures, not on engineering excellence (Erakovic & Wilson, 2005). Strategies were developed to create a new corporate culture by changing decision-making processes, staff attitudes and performance measurement. Some SOEs such as the Housing Authority of Fiji and Telecom Fiji Limited also engaged consultants to initiate the programmes of cultural change. In this way, the public enterprises encountered a new language of business and economics which challenges the extant public service norms (Lawrence, Alam, Northcott & Lowe, 1997).

Under the public sector reform programme, the new entities have performance and accountability targets covering investment return, cost of production and services (Department of Public Enterprises, 1998). The New Public Management (NPM) model intends to implant business management principles in the public sector. It ostensibly promises better governance, empowerment, customer satisfaction and better mechanisms of public accountability (Sarkar & Pathak, 2003). This claim is echoed in international literature by Ogden (1995b) and Dent (1991) who argue that corporate management has sought a shift from a culture based on engineering and operating demands predicated on the notions of public service to one which gives greater salience to business priorities and customer needs.

However, social and political problems resulted from the reforms. Political activity by the Labour Party had its effect. Changes and tensions in public sector reforms accompanied changes in government in Fiji. Political instability became a

feature of the Fijian political landscape. The Chaudhry government that came to power in 1999 attempted to interrupt the processes of restructuring.

Prior to 1999, the restructuring programme was gaining momentum under the Rabuka regime. However, the People's Coalition government that came into power in 1999 under the leadership of Mahendra Chaudhry slowed the reform process. The new government was ostensibly opposed to corporatisation and privatisation as these initiatives had resulted in low-income workers being made redundant (McMaster, 2001). In his opening address to parliament in June 1999, the then Prime Minister, Mahendra Chaudhry, made the following statement:

Government is serious in reviewing the public enterprise restructuring and privatisation program with a view to halting its redundancy impact. In addition, strategic utilities such as water, electricity, telecommunications and civil aviation entities must remain under state control as viable units. Government will therefore remove all moves to privatise such enterprises, but they will be reorganised and streamlined to make them more efficient and profitable (Asian Development Bank, 2000, p.20).

The government reinstated workers at Airports Fiji Limited who had been made redundant under the Rabuka regime. This was in accordance with the publicised pre-election pledge of the Labour Party (The Fiji Times, 19 June, 1999). The Housing Minister also ordered the Housing Authority to take back three workers laid off in the process of implementing a performance-based job contract system (Appana, 2003).

The previous Rabuka government had restructured Fiji Electricity Authority (FEA) into three separate entities: Powergen Fiji, Powerlines Fiji and Megapower Fiji. This process was reversed by the Labour government in 1999 with a re-consolidation of the three companies into FEA. In addition, the Fiji Water Corporation, the Public Trustee Corporation and the Fiji Shipping Corporation were reconstituted as government departments or units thereof. Further, the Government Supplies Department and the Government Printery and Stationery Department that were in the process of being corporatised were curtailed by the government, and an internal restructuring of the departments took place instead. This demonstrates that with changes in government, tensions can be produced depending on the government's position on reforms.

The Chaudhry government, however, was ousted by a military coup on May 19, 2000. On May 19, 2000, a period of great instability began in Fiji when armed rebels led by George Speight overtook the parliament and held Chaudhry and his ministers captive. The military imposed martial law and later negotiated the safe release of the hostages.

The 2000 coup produced a massive disruption to the operations of the public sector and the economy. For a few months in 2000, the public enterprises reform program came to a complete halt. After the president resigned, a new president assumed office and appointed an interim government headed by Laisenia Qarase. Qarase was an experienced banker, heading the Fiji Development Bank for many years, and was CEO of the Merchant Bank of Fiji at the time of the coup. He apparently was a strong advocate of public sector reform and appointed an experienced Minister of Public Enterprises and Public Sector Reform to reactivate the reform process.

In its initial budget, the interim government pledged to carry on with the reform program and envisaged the selling of government shares in Amalgamated Telecom Holdings on the South Pacific Stock Exchange. The government committed itself to undertake comprehensive reform that included introduction of a output-oriented performance-based national budgeting system (McMaster, 2001).

General elections were held in 2001 and Qarase's party, Soqosoqo Duavata Lewanivanua (SDL), won the election with a narrow majority over the Labour Party. In November 2001, the Qarase government released its first budget in which it explicitly called for policies of both public enterprise reform and civil service reform. Qarase had said that attempts would be made to ensure that the reforms created minimal pain for the workers (Fiji Live, 3 April, 2003). This was an undertaking worth noting as earlier efforts by the Rabuka regime (1992-1999) to reform and restructure public enterprises had resulted in redundancies among workers of the public sector. However, despite the undertaking by the then Prime Minister, redundancies still occurred in Fiji. Fiji Electricity Authority is a good example of an entity in which scores of people were laid off as a consequence of restructuring.

A specific objective of privatisation in Fiji is to offer staff the opportunity to buy shares in a company and to share in their company's prosperity and losses. The employee share scheme is an explicit attempt to reconstitute the basis for employee commitment from "public service" to business priorities (Ogden, 1995a). The implementation of the scheme demonstrated a focus on directing the organisation towards commercial practice that mirrors those practices in the private sector, i.e. manifesting isomorphic behaviour.

Public sector reforms produced some negative impacts on the welfare of Fiji's population. According to Uddin and Tsamenyi (2004), opinions are divided on whether public sector reforms in developing countries are in the public interest. As stated earlier, reforms in Fiji had seen a large number of employees being laid off. This created unemployment in an economy in which 25 per cent of its people live below the poverty line (Narayan, 2001; Prasad, 1998).

Reforms give rise to redundancies. Workers, who in most cases are sole bread winners in the family, are made redundant as a consequence of reforms. Given the lack of alternative employment opportunities, the drive for efficiency has severe consequences for these categories of people who struggle to access the basic necessities of life and may be worsening the already overwhelming social problems that Fiji encountered after the political upheaval of 2000.

The costs of basic necessities of life such as water and housing have been rising in Fiji. Fiji Islands Bureau of Statistics (2003) depicted a consumer price index for housing at 120.9 in 2002, taking the base year of 1993 with an index of 100. However, wage levels have not increased to the same level. The cost of electricity also shows a similar increasing trend (Fiji Islands Bureau of Statistics, 2003). As discussed previously, value added tax was also increased from 10% to 12.5 per cent in 2003, making the basic necessities of life more expensive (Dewan, Gokal & Hussein, 2003). Value added tax was introduced on 1st July, 1992. This tax is charged on virtually all goods and services, whether supplied by the Government, business or not-for-profit organisations.

The new forms of corporate governance in Fiji had to contend with a militant union movement which was supported by the Labour government elected in 1999. One of the managers at the Ministry of Public Enterprises stated:

The political environment in 1999 with the new Labour government took us slightly back in our reforming of public enterprises. Labour government was very much labour-oriented and reversed the reforms as it did not want people to lose jobs. As a consequence the performance of entities has been affected.

(Interview with SEP, 19 February 2004).

In its election manifesto, Labour had indicated an intention to protect the interests of the poor and labour and so redundancies were avoided. An interviewee from the Ministry of Public Enterprises told of the resistance from trade unions to the reforms. Fiji has a tradition of strong militant unions. The trade unions utilised their political leverage to go on strike in order to inhibit redundancy measures (McMaster, 2001). Under reforms, the unions perceived that they would lose power. One of the senior economists with the Ministry of Public Enterprises commented:

The problems with carrying out reforms in Fiji is to deal with unions first. Union leaders go and tell employees what they (union leaders) want employees to hear. The trade union leaders in Australia and New Zealand are not as militant now as they were in 1990s and 1980s. Here in Fiji we have militant leaders. The current government policy is not to force any redundancy, because of which it becomes somewhat difficult to improve the efficiency and performance of government entities.

(Interview with SEP, 19 February 2004)

An economist at the Ministry of Public Enterprises stated that the reform at Fiji Electricity Authority ostensibly went ahead without any resistance. This was because reforms apparently were done without the involvement of union members. One of the accountants at the Ministry of Public Enterprises commented:

At Fiji Electricity Authority, the Authority did not deal with the unions. They educated workers before the union could come in and brain wash workers. Some of the workers joined a new company- Telesource after the restructure. Terms and conditions of employment are the same as when they were employed by the Fiji Electricity Authority. Almost 150 workers lost jobs but it could work as consultation was done at all levels including those made redundant.

(Interview with ACP, 20 February 2004)

The newly-appointed CEOs were charged with introducing performance-based contractual arrangements within their organisations. However, the unions resisted contractual systems, wanting collective agreements. An accountant of the

Ministry of Public Enterprises explained the unions' stand on performance contracts under public sector reform in this way:

By adapting performance contracts union feel that the power of the union will be eroded. Unions claim that going on performance contracts will mean employers will take over. What unions want is a collective agreement.

(Interview with ACP, 19 February 2004).

The confrontation between the unions and management reflected the political situation in Fiji. Chaudhry's Labour party, which had been the opposition party, is backed by the trade unions. Chaudhry and the previous Prime Minister-Qarase were not on speaking terms and the resistance from the trade unions seemed to derive from the supporters of Labour party. Many threats of stopping work were made by the trade unions over pay rise negotiations.

In brief, the Fiji government utilised a three-stage approach towards reform: commercialisation, corporatisation and privatisation. Emphasis has been placed on using private sector governance structures in the public sector. Through reforms, the public sector encountered a new language of business and economics which challenged the extant structures of signification, legitimation and domination. However, social and political problems resulted as a consequence of reforms. Continuing changes and tensions in public sector reforms accompanied changes in government. The militant Fijian trade unions were also a source of resistance to the reforms and were closely connected with the opposition Labour Party. The trade unions resisted any potential worker redundancies resulting from reforms. The next section provides a summary of the chapter.

5.4.0 Summary

This chapter provided an overview of the public sector reform in Fiji, focusing on the restructuring of the economy insisted upon by international agencies. It is evident that the approach to public enterprise reforms in Fiji has been predicated on the new public management model (Hood, 1991; 1995; Parker and Guthrie, 1993). The reforms have received institutional support from international donor agencies such as the World Bank, the IMF and the Asian Development Bank, all of which gave impetus to the government to embark on public enterprise reforms (Reddy, 1997). The government's coercive efforts resulted in de-

institutionalisation of bureaucratic norms and institutionalisation of new norms of corporate behaviour. The reform of public enterprises was driven by coercive pressures from Fiji's government in the form of the Public Enterprises Act and the Ministry of Public Enterprises. Before the transitional period began, all enterprises were traditional government departments. Several developments disabled the old organisational practices and supported a radical shift in organisational demography from mainly technical professionals to marketing and financial experts and the introduction of new governance structures. The marketing and financial experts brought in concepts of private business techniques in the reformed entities (normative and mimetic isomorphism).

As for the social and political context, Fiji has been facing a crisis situation since the military coups of 1987. This event led to economic decline, which meant increased levels of poverty and suffering for many in the society. To stabilise the economy, the government implemented a number of policies, one of which was the corporatisation of public sector institutions. This was partly driven by global trends and was a consequence of the involvement of donor agencies such as the World Bank, the IMF and the Asian Development Bank. The Ministry of Public Enterprises was set up in Fiji for the purpose of commercialising public enterprises and subsequently preparing them for privatization. Public sector reform has been seen as the government replacing a welfare focus with one that focuses on profits and market principles away from the welfare orientation.

Public sector reform has also encountered resistance from the trade unions. The unions have been quite militant. Unions perceive a loss of power if the reform exercise is accelerated. The Fiji government, on the advice of international aid agencies forced SOEs to radically change by altering their legal and ownership status, their norms of institutionalised behaviour and the regulated status of their markets. Change in the composition of boards and management teams created a divergence from well-established interpretive schemes (Hinings & Greenwood, 1988). The following chapter discusses the legislative and regulative framework introduced by the Fiji government to corporatise Fiji Posts and Telecommunications Limited (FPTL).

Chapter 6: Legislative and Regulatory Framework for Fiji Posts and Telecommunications Limited.

6.1.0 Introduction

This chapter examines the background information/environment on the legislative and regulatory framework introduced by the Fijian government to corporatise Fiji Posts and Telecommunications Limited (FPTL). The background information outlined in this chapter as well as chapters 4 and 5 is essential for understanding the empirical evidence outlined in the later chapters.

The chapter considers the Posts and Telecommunications Decree of 1989, the corporatisation of the Posts and Telecommunications Department (P&T) in 1990, the appointment of new board of Directors in 1991, a review done by consultants in 1992, and the formation of the Commerce Commission. The next section examines the Posts and Telecommunications Decree that was utilised to corporatise P&T. The Posts and Telecommunications Decree may be treated as an illustration of an exogenous institutional shock (e.g., Laughlin, 1991). The Decree provides publicly observable evidence of the actions by the Fiji government which were designed to influence the development of FPTL in its transition from the public to the private sector.

6.2.0 Posts and Telecommunications Decree of 1989 and Corporatisation

The Posts and Telecommunications Decree (P&T Decree hereafter) subjects FPTL management and employees to regulatory processes and defines how FPTL members may legally operate. According to Hassan (2005) and Granlund and Lukka (1998), the use of law (decree) is seen by the organisational participants as a source of force. The Fiji government through the P&T Decree 1989, transformed the Posts and Telecommunications Department into a corporate company, FPTL, with 100 percent of shares owned by the government. Section 68 of the P & T Decree (1989) states that:

a company shall be regarded for the purpose of this part as wholly owned by the Government at any time when all the issued shares in the company are held by or on behalf of the Government.

Before the P&T Decree, the Posts and Telecommunications Department (P&T) provided postal and telecommunications services and the Telecommunications Minister retained the exclusive privilege to provide these services. The P&T Decree requires all system operators to be licensed. Responsibility for telecommunication licensing is with the Minister for Broadcasting, Information, Television and Telecommunication, and is exercised through a regulatory unit within the ministry. This unit has a duty under the Decree to protect the interest of the consumer when requested to investigate complaints on service and apparatus. The Decree prescribes offences and penalties relating to the operation and use of telecommunications services and has an influence on the nature of services provided by FPTL. Interviewees viewed the Decree as imposing influential institutional pressure as it provides guidelines for FPTL's operations.

The Minister for Broadcasting, Information, Television and Telecommunication was given responsibility for reviewing the activities connected with telecommunications (P&T Decree, 1989, p.990). The Decree entails issues related to grants and loans to rural telecommunications that the Ministry of Finance may offer in order to establish, develop and maintain telecommunications systems in rural areas. Despite the corporatisation of FPTL, the Fiji government provides grants for rural postal and telecommunication services as part of its public service.

Section 69 of the P & T Decree (1989) states that:

... the minister may by order appoint...all the property, rights and liabilities to which the P&T was entitled or subject immediately before that date which shall...become by virtue of this section property, rights and liabilities of a company nominated for the purpose of this section by the minister.

The P & T Decree outlines that FPTL needs to be registered under the Companies Act 1983; however, on the transfer date, when FPTL becomes corporatised, it must be a company where all its shares are government owned. Section 70 of the Decree stipulates that:

Shares issued in pursuance of this section –

- (a) shall be of such nominal value as the minister may direct; and
- (b) shall be issued as fully paid and treated for the purposes of the Companies Act 1983 as if they had been paid up by the virtue of the payment to the Company of their nominal value in cash (p.1009).

Other matters such as conversion of loans vested in the company, government investment in securities of the company, exercise of the minister's functions through nominees, temporary restrictions on the company's borrowing powers, liability of the minister in respect of liabilities vesting in the company and application of the law in relation to any offer of shares or debenture of the company are also provided for in the Decree. Alongside this, the Decree regulates postal services and licenses radio communications. Dividends received are to be paid into the State's Consolidated Fund (P&T Decree, 1989). The P&T Decree requires FPTL to operate as a business.

With regards to post, the Decree states that after the transfer date (corporatisation), the position of Permanent Secretary for Post and Telecommunications functions, which encompasses conveying letters from one place to another, will be relinquished. Instead the postal responsibility will be with the Postal Division within FPTL. The Postal Division has sole authority to convey letters from one place to another (P&T Decree, 1989, p.1015). Section 7 of the Decree grants FPTL a licence to operate telecommunications system whilst Section 81 of the Decree gives FPTL sole responsibility for managing the postal system of Fiji. The P&T Decree imposes some restrictions on government subsidy. Only grants or subsidies are available for the rural areas. Section 29 of the P &T Decree states:

- The Minister responsible for finance may at the request of the Minister of Telecommunications make grants or loans-
- (a) to carriers for the purposes of establishing, developing, working and maintaining any telecommunications system in a rural area or rural areas... (p.992)

The Managing Director posits that the lack of subsidies has implications for the operations of FPTL (FPTL Annual Report, 1991).

In 1989 the Rabuka government planned a series of initiatives to restructure state corporations and prepare them for eventual privatisation. P&T was one of the earlier ones to be corporatised under the P&T Decree. Fiji Posts and Telecommunications Limited (FPTL), a private limited liability company, was

formed on August 18, 1989 under the provisions of the Companies Act (1983) and the P&T Decree (1989). The transfer of the government business of the P&T to the new company, Fiji Posts and Telecommunications Limited (FPTL), occurred on January 1, 1990. FPTL was the first government institution to be corporatised. Thus, from 1990, corporatisation and restructuring provided a clear separation between commercial and regulatory activities. The regulatory activities were retained by the government's Ministry of Broadcasting, Information, Television and Telecommunications.

After the implementation of the Decree, the Fiji government issued an exclusive 25 years licence to FPTL for the provision of telephone, telegraph and telex services on a national basis from the beginning of 1990 (FPTL Annual Report, 1990). FPTL had a monopoly in these services. The exclusivity of the licence, however, expires contractually at the end of 2014. This entitlement was later on transferred to Telecom Fiji Limited following further restructuring of FPTL in 1996. Telecom Fiji Limited's (TFL) functions were to provide and install domestic fixed line, mobile telecommunications data transmission and telex services (TFL Annual Report, 1998). Other services such as telecommunications apparatus and products are non-regulated and the supply of these services is an opportunity for the private sector (Opportunities for Growth, 1993). Having discussed the P&T Decree and corporatisation of P&T, the next section discusses the appointment of board members after the corporatisation to instil a business culture within FPTL employees.

6.2.1 Appointment of new board of directors

A new board of directors with business expertise was appointed on 6th July 1991 after corporatisation by the Fiji government (The Review, August, 1992). According to a manager, the board was appointed with the aim of offering a commercial orientation and a customer focus to FPTL, an organisation that was so institutionalised with civil service bureaucratic means of thinking. With business expertise, the board of directors was expected to bring these practices to FPTL. The Review (1992) notes that this board constituted some famous names in the commercial and service industries in Fiji. The board was considered by many as

one of the more qualified and aggressive boards in Fiji's corporate world (The Review, August, 1992).

For instance, Chairman Robert Lee held a Bachelor of Commerce degree and was a past president of the Fiji Manufacturers' Association and the Fiji New Zealand Business Council. Gardner Whiteside was a partner in the accounting firm of Vishnu Prasad & Company and a runner up in the Fiji Institute of Accountants Young Accountant of the Year in 1992. Kalivati Bakani was deputy chief manager of the National Bank of Fiji; Jesoni Vitusaqavalu was a corporate affairs director of Air Pacific (prior to this, he was General Manger of the Unit Trust of Fiji and had a Masters in Economics). Mr Ranjit Singh was a deputy General Manager of Fiji National Provident Fund¹¹. Mr Singh was an accountant by profession and managed one of the largest investment portfolios in Fiji. Ratu Talemo Ratakele was the deputy chairman of Cakaudrove Provincial Council. Adi Litia Cakobau was a senator in the government while Rigamoto Taito was Permanent Secretary of Finance and a strong advocate of the corporatisation program. Apisolome Tudreu was Permanent Secretary for Telecommunications and was previously Commissioner of Northern Division. Emori Naqova, an engineer by profession, was the Managing Director of FPTL.

This board appeared to be well qualified in terms of commercial expertise. FPTL was expected to be the forerunner for the corporatisation and privatisation of government-owned statutory bodies. Other public enterprises were expected to emulate FPTL's path to corporatisation and privatisation. A manager stated that, in order to invoke commercial routines within FPTL, the board invited tenders for consultants to produce a strategic vision for FPTL. Arthur Andersen Consultants was selected to undertake a strategic review and provide a vision for the company. The idea was to commission a strategic vision from western-based consultants so as to gain legitimacy for FPTL's operations from their operating environment (e.g., DiMaggio & Powell, 1983). The directors and management were responsible for implementation of the consultants' report after their departure. The board felt that the consultants could act as a catalyst for change in thinking in the organisation and the consultants were a change agent (Beckert, 1999) at FPTL.

¹¹ Fiji National Provident Fund is the workers' superannuation scheme. Both the employer and the employee contribute 8% each towards this scheme.

Beckert (1999) refers to change agents as “entrepreneurs”: those who destroy existing institution (taken-for-granted rules and routines).

According to a strategic manager, the review and the resultant recommendations were completed by the consultants at the end of 1992. It was the managers who tried to implement the consultants’ report. According to Beckert (1999), managers re-establish institutional stability as a basis for the strategic agency of entrepreneurs (who in this case, were the consultants). According to Granlund and Lukka (1998), consultants generally support mimetic processes and the trend of isomorphism. The consultants endorsed similar practices to those that the overseas-based Telecommunication Company adapted after becoming privatised, exhibiting mimetic isomorphism. Irvine (2007) notes that consultants’ services can also be considered as normative institutional pressure. The FPTL actors relied on consultants for their professional services. The ensuing section discusses the Arthur Andersen’s consulting report.

6.2.2 Arthur Andersen’s Consulting Report of 1992

This section examines Andersen’s report. The report was used by the board and management to provide commercial focus for FPTL’s activities. According to a Finance Manager, although profits improved after corporatisation, this was mainly due to increased tariffs and not improved efficiency. The consultants spent almost six months studying FPTL’s activities and providing recommendations.

Arthur Andersen’s report (1992) highlights that corporatisation had not improved FPTL’s performance. Andersen’s report notes that revenue was generated overwhelmingly by urban customers. The profitable customer groups appeared to be those in government and business that contributed 64% of profits and F\$11,820 revenue per telephone (Andersen’s report, 1992). A large number of urban customers appeared to be waiting for connection, manifesting a major opportunity to increase revenue. The report emphasised that apparent demand for basic services had increased at 6.3% per annum for some time (Andersen report, 1992). Urban areas constituted 91.5% of this increased demand. It appears from the report that the early stages of corporatisation had not increased the ability to install additional services (Andersen’s report, 1992).

Radio telecommunication services in rural areas were generating losses (Andersen's report, 1992).¹² Revenue and profits were generated overwhelmingly from urban customers. The report claims that costs had increased, stemming from an increase in personnel expenses. FPTL had been faced with salary hikes while staff numbers remained constant. The rise in costs had surpassed the rise in productivity. Andersen's report claims that while employee expenses had increased by 51 per cent since 1987, telephones per employee had increased by 26.82 per cent. This measure was used to demonstrate that large increases in average employee costs had not kept pace with average revenue generated by employees, measured in terms of telephone per employee.

The Andersen's report states that customers waiting for services at that time equated to 24 per cent of connected customers. Since 1988, the lack of availability of cable pairs, the connection from the nearest exchange or long line into customer premises, had been the predominant reason for non-connection to telephone. Analysis of the wait list demonstrated predominantly urban location residents and a shortage of "cable-pairs" to get them connected. According to the report, urban customers were the most profitable and the lack of "cable pairs" should not have inhibited them from connection. Connecting urban customers would mean a short-term pay back period. The report also emphasised that the cable pairs were checked only when services were installed; faulty cable pairs were the central source of service provision delays.

Andersen's report noted many ways to stimulate revenue. These included off-peak pricing, optional flat rate or metered local calls, audio text, phone cards volume discounts and paging (Andersen's report, 1992). The report emphasised that FPTL compared poorly in terms of return on assets and profit margin with other Telecom companies in the region, and also with other large companies in Fiji. Return on assets and profit margins were the new targets introduced at FPTL. Initially the employees were used to the public service rules and routines.

¹² Provision of telephone services in rural areas, particularly in the outer islands is not possible. Hence people in these areas rely on radio telecommunications as a means of communication.

A separate review of the postal division revealed that, when accounted for as a stand alone business, it was operating at a breakeven level (Andresen's report, 1992). Total pre-tax profit declined from F\$533,000 in 1987 to F\$105,000 in 1992. The report claimed that half of all post office branches were unprofitable. This stemmed from declining business volumes and declining productivity. Increased costs stemmed from wage growth which had not been paralleled by growth in productivity.

Business was lost to the courier companies with some companies perceiving postal services as unreliable. "I would avoid using the Fiji postal system unless time is not a factor," a local banker told Andersen (quoted in the Review, August, 1992, p.15). The report recommended diversification into new business opportunities such as bill paying, passport processing, general insurance, other banking operations and postal insurance sales. Sales revenue from this could exceed approximately F\$500,000 annually (Andersen's Report, 1992, p.36).

The consultants report advocated that Emori Naqova, the Managing Director of the company, would be unable to lead the organisation into corporatisation unless he received further training, possibly a secondment to a telecommunications company that had made a transition to a commercialisation from a government department. The secondment would have to be lengthy to infuse significant change in commercial thinking at FPTL (Andersen's Report, 1992).

A Parliament Paper (1994) pointed out that Andersen recommended the division of the company into five Strategic Business Units (SBU), each headed by a General Manager. The five SBU's included customer services, a marketing and new business unit, a network engineering business unit, a support services business unit and a finance business unit. Andersen also introduced the position of Chief General Manager position between General Managers and Managing Director. The Andersen report, implemented by the board of directors and management, brought about improvement in FPTL's performance. For example, in 1992, FPTL invested F\$20 million in development work which brought about the modernisation of network technology (FPTL Annual Report, 1992). The old exchanges at Tavua, Lami and Korovou were replaced with modern digital exchanges. The optical fibre system linking Suva and Vunikawai radio stations

was installed at a cost of F\$1million (FPTL Annual Report, 1992). The number of subscribers increased by 7.1 percent from 1990, while telephone penetration improved from 5 to 6 lines per 100 population (FPTL Annual Report, 1992). Naqova was also sent on training for some six months overseas.

Wireless technology was introduced in 1993. The company entered a joint venture with Vodafone to implement a cellular telephone service. Incentive schemes were introduced that related directly to the performance of the company and to personal measured goals. By the end of 1993, “96 percent of all working lines were connected to fully computerised digital telephone exchanges” (FPTL Annual Report, 1993, p. 12). FPTL’s annual report (1993) points out that the implementation of a new organisational structure took a few months to settle in. The organisational restructuring consisted of setting up five strategic business units (divisions), each with its separate objectives to achieve. Appointees to the executive management positions for the units were sought both internally and externally and these positions were filled in 1993. A five year development plan was set for network planning. FPTL’s annual report (1993) noted that greater emphasis was being focussed on network planning improvements, effective investment and their impact on revenues and profitability. Previous planning guidelines had been based on historical growth in connections which was found to be ineffective as it was not closely related to expected cable schemes. This led to insufficient provision to meet telephone connections in certain areas. Telephone penetration reached 7 lines per 100 population in 1993, which was above the average for developing countries (FPTL Annual Report, 1993).

Various regional offices were also opened in many urban centres of Fiji. A national help line and 0800 receiver pay telephone service aimed specifically at business customers were also introduced during 1994. At the end of 1994, the network had a total of 59,471 working lines, giving it a ratio of 32.23 lines per employee- an increase of 2.97 from 1993 (FPTL annual report, 1994). Some 270 card phones were also installed to improve accessibility of telephones. A Strategic plan was also put in place which aimed to achieve a penetration goal of 20 exchange lines per 100 population by the year 2000 (FPTL Annual Report, 1994, p.11).

The postal division diversified its activities to include courier services and Post shop. The Post shops offered a variety of stationery and assorted items to customers. Post shop sales in 1994 returned a gross profit of more than F\$116,000 from total sales of F\$403,000. Electricity bills could also be paid at Post Offices. The postal division also received commission from the amount received for electricity.

The decision was also made to split “Posts” and “Telecommunications” into two separate entities from July 1996 (FPTL Annual Report, 1995). Telephone penetration had increased to 8 lines per 100 population in 1995. The number of applicants on the waitlist for telephones at end of 1996 was reduced to 7,000 from the 9,000 in January 1996 (TFL Annual Report, 1997). Most of the customers on the waitlist lived in uncabled areas. The completion of major cabling projects in later years, the installation of new digital radio multi access subscriber systems and development of wireless loop technology reduced the numbers waiting for telephone services. Table 3 summarises the financial results of 1992 to 1998 when Andersen’s report was implemented.

Table 3 Financial Results for FPTL from 1992 to 1998

	1992	1993	1994	1995	1996	1997	1998
Telephone penetration per 100 population	6	7	7.7	8.3	8.9	9.2	9.6
Net Profit before Tax	\$4.8m	\$8.7m	\$11.9m	\$18.8m	\$20.8m	\$15m	\$16.7m
Net Profit after Tax	\$3.24m	\$5.3m	\$7.5m	\$12m	\$13.9m	\$9.8m	\$10.9m
Return on Equity	3.0%	4.1%	8.1%	8.6%	14.3%	8.1%	8.8%
Return on Assets	1.7%	2.9%	3.9%	6.2%	6.8%	4%	4.7%

(Source; FPTL Annual Report 1992-1995; TFL Annual Report, 1996-1998).

The table shows an increase in telephone penetration per 100 population from 6 per 100 population in 1992 to 9.6 per 100 population in 1998. Net profit after tax, net profit before tax, return on equity and return on assets showed significant improvements over time. The profitability ratios were slightly lower in 1992 as there was some resistance to Andersen’s report which resulted in industrial action and sabotage of cables in the capital, Suva. A disruption in the normal business in 1992 impacted on the company’s profitability. The net profits were slightly lower in 1997 when compared to 1996. TFL’s annual report (1997) attributed the decline in net profit to the sluggish economic environment, losses from tropical

cyclone “Gavin” and the downward trend of international accounting rates. However, profit had subsequently improved in the 1998 period.

Table 4 summarises the financial results of 2001 to 2007.

Table 4 TFL’s Performance over 2001 to 2007¹³

Year	2001	2002	2003	2004	2005	2006	2007
Telephone penetration per 100 population	10.6	11.7	12.1	12.3	12.7	12.7	12.8
Net profit after tax (000)	\$25,400	\$28,000	\$37,360	\$42,000	\$16,000	\$32,000	\$40,000
Revenue (000)	\$149,500	\$145,000	\$152,934	\$130,000	\$131,950	\$133,053	\$131,346
Costs (000)	\$124,100	\$117,000	\$115,574	\$88,000	\$115,950	\$101,053	\$91,346

(Source; ATH Annual Report 2001- 2007)

From 1999 onwards the TFL accounts were consolidated into ATH accounts and limited information was available on TFL’s financial ratios. Much information on TFL was provided in summarised form. However, the annual reports disclosed information on net profit, revenues, costs and telephone penetration per 100 population. This has been summarised in Table 4. The net profit showed improvements except in 2005 where financial performance was impacted by increases in expenses. Some redundancy payments were made to 300 employees who took voluntary redundancy. The regulator, the Commerce Commission, also reduced telecom prices which reduced total revenue for the year and impacted on the net profit. However, profits improved in the later years. Chapter 8 provides a more in-depth analysis of TFL’s performance from 2001 to 2006.

The employment of Western consulting firms enabled FPTL to gain legitimacy through the improved performance, except for some resistance that will be discussed in the next chapter. Meyer and Rowan (1977) argue that engaging the services of consultants can provide both internal and external legitimacy for the company. Such image building is central for FPTL, since as it is wholly

¹³ The 1999 and 2000 results were left out as TFL became a subsidiary of ATH then and the latter released its annual report incorporating activities of TFL. The ATH report released in 2000 consisted of combined results of 1999 and 2000. For consistency in comparing results, these two years results were left out.

government-owned, its image is not only vital for survival but also ensures government does not interfere in its affairs as there is always a possibility of government intervention. FPTL actors have to demonstrate to the government and the general public that FPTL is well managed in terms of improvement in performance in order to secure legitimacy from them. Having discussed Andersen's report, the next section examines the role of the Commerce Commission that regulates telecom tariffs in Fiji.

6.3.0 The Commerce Commission

The Rabuka government established a four-member Commerce Commission in October 1998 with the introduction of the Commerce Act. However, this was short-lived when the Commission was dissolved by the Labour government in 1999. Following the May 2000 coup, a new Commerce Commission was appointed in October, 2000 by the interim government (Commerce Commission, 2005). The information in 2000 military coup is covered in chapter 4.

The Commission is charged with ensuring that there is non-discriminatory access to infrastructure facilities in monopoly or near monopoly situations; this includes telecommunication services. The Commission is an independent statutory organisation which promotes fair trading, protects consumers and business from restrictive trade practices, and controls prices of regulated industries and other markets where competition is limited (Commerce Commission, 2005). It also ensures that companies such as TFL remains financially solvent.

The Commerce Act 1998 empowers the Commerce Commission to recommend to the Minister to make an *Order* which can control prices in industries where competition is limited or is likely to be lessened. The Commission controls prices to prevent industries that are in a monopoly position from charging exorbitant rates and protects consumer interest.

An example of the role of the Commerce Commission was when Telecom Fiji Limited (TFL) wanted to increase tariffs in July, 2004. TFL management proposed tariff increases in line rental of F\$2.84 to F\$35 per month. The regulator (Commerce Commission's) duty includes setting and reviewing the

price cap and TFL's compliance with it. The inter-region call rates were reduced from F\$0.4276 per minute to F\$0.2050 per minute, and the line rental was increased by the Commission from F\$2.84 to F\$12 per month. The Commission ensured that TFL obtained a reasonable return on their assets through revision of the tariffs.

The Commission is expected to work with the telecommunications industry to ensure that the company continues to provide affordable and accessible telecommunications services, while obtaining a reasonable return on its investments. Following this outline of the role that the Commerce Commission plays in the telecommunication industry, the next section summarises the chapter.

6.4.0 Summary

This chapter reported on the legislative and regulatory framework introduced by the Fijian government to corporatise FPTL. The chapter identifies social and institutional contexts within which FPTL is embedded. The P&T Decree 1989 provided the new institutional context in which P&T began to be transformed into FPTL. The Decree was evidence of an external shock (see Laughlin, 1991). FPTL was the first government organisation to be corporatised. A new board of directors with business expertise was appointed to infuse commercial practices into FPTL. The new board engaged the services of western consultants, Arthur Andersen. Arthur Andersen consultants recommended a number of changes at FPTL that included installing additional telecommunication services including card phones, as there was a long queue of customers waiting for the telephone services, diversifying services by postal division, and providing commercial training to the Managing Director, Naqova. Andersen also recommended the division of the company into five strategic business units, each headed by a general manager. The Andersen report was implemented by the management from 1992 onwards. The outcome was an improvement in services, i.e. telephone penetration per 100 population increased from 5 per 100 population in 1991 to 8.9 per 100 population in 1996.

Net profit before tax, net profit after tax, return on equity and return on assets showed significant improvements over the years. The role of the regulator

(Commerce Commission) provided a new language of accountability; it was charged with ensuring that there was non-discriminatory access to infrastructure facilities in monopoly or near monopoly situations. The Commission also ensured that companies such as TFL remained financially solvent and earned a reasonable return on their assets. As TFL is a monopoly, regulation is required to control the prices of telecommunication services.

Some improvement of services was achieved as a consequence of new public management reforms. These included modernisation of network technology, establishment of regional offices, and an improvement in telephone penetration per 100 population. It was beneficial to introduce business-like management techniques at FPTL. However, cost of telecommunication services escalated over time.

Following the outline of the background information on legislative and regulatory framework, the next chapter examines the empirical and theoretical analysis relating to the emergence of a new public environment at FPTL in the form of corporatisation and resistance to management accounting and control changes. The following discussion of the new public environment at FPTL and resistance to the new environment is informed by institutional theory.

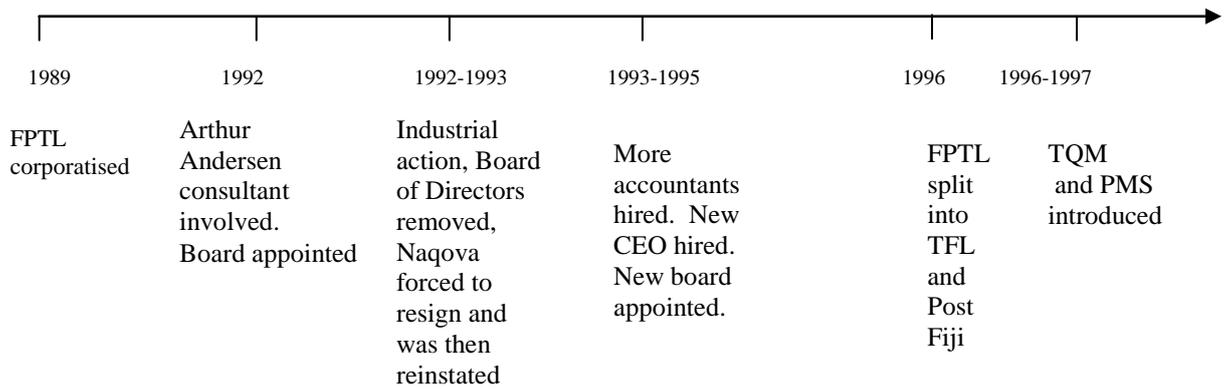
Chapter 7.0: New Public Sector Environment and Resistance to Change at FPTL

7.1.0 Introduction

Chapter 6 outlined the legislative and regulatory framework introduced by the Fijian government to corporatise FPTL. The chapter also identified social and institutional influences within which FPTL is embedded. This study is a longitudinal study encompassing MACS changes over the period of 1989 to 2006. As such it is a study on corporatized FPTL (1989- 1996), and TFL from 1996 onwards. Post Fiji Limited was separated from FPTL in 1996 and the latter changed its name to Telecom Fiji Limited (TFL). The focus of this chapter is to examine some of the intra-organizational or micro level changes that took place at FPTL. The aim is to identify changes in institutional routines by using a framework based on the notion of institutional contradiction and institutional entrepreneurs (Seo & Creed, 2002; Beckert, 1999; Dorado, 2005).

While the impetus for change may have originated in the Fiji government's policies of public sector reform which were considered in chapter 5, the objective here is to outline the often slow pace of intra-organizational change within FPTL. The organizational actors faced tensions and initially resisted the change to private business routines. However, with wider education and training on the change process, the resistance was reduced. At FPTL, a management team was set up to introduce commercial norms which were subsequently stabilized by the team through the ongoing process of enactment, reproduction and routinisation of new practices. The changes at FPTL were protracted in nature as new practices depend on the everyday activities of actors, as well as on institutional arrangements.

The chapter discusses the chain of events from 1990-1996 which encompassed FPTL's corporatisation and some cultural and political idiosyncrasies of Fiji that affected the pathway to change. A time line of events is provided below.



The next section discusses the dominant public service culture at FPTL before 1989. The rationale behind this is to tease out the rules and routines that prevailed at FPTL during the government department stage.

7.2.0 Dominant public service culture (before 1989)

This section discusses the nature of the organisation culture and institutional patterns of behavior prior to the public sector reform and corporatization. There was a perceived responsibility of the Fiji government for the functioning of the economy through postal and telecommunication services provision for the social welfare of the population which may not be supported by private enterprise systems. Services provided by government represent an important component of the welfare state and benefit low income groups in particular (Clayton & Pontussan, 1998).

The P&T report (1985) noted that the government assisted P&T management and employees with government grants. The report further highlights that, as a government department and monopoly supplier, P&T management operated under certain restraints and had regard to “national needs and priorities” (p.4). The department members were to undertake projects of “significance in the social welfare and development of the country even if the return is unsatisfactory judged by commercial standards” (P&T report, 1985, p.4). There was no discrimination between rich and poor in providing access to telecommunications.

A Strategic manager at TFL recalled:

Our job was to provide postal and telecommunication services to people. Costs and revenue were not so important then.

(Interview with SPM, 20 January 2005).

The above interview from 2005 gave a manager's recollection of events surrounding FPTL prior to 1989. Prior to reform, money, cost and profit were not prime concerns for FPTL members and appeared to play a minimal role in their making sense of the purpose and meaning of daily activity. Systems of accountability were set up in government days to ensure FPTL management was publicly accountable to parliament via the Minister of Telecommunications. An accountant in 2005 claimed that FPTL did not deploy an ethos of quality consciousness or customer satisfaction. Instead, it maintained a relatively static range of products and services. The accountant was trying to rationalize the reform at FPTL. A customer service manager commented:

Those days they connected almost one customer a day. Customers used to give them celebratory food to get connected. They favoured the customer. Customers sometimes got the connection by giving money to the technicians. Customers do this because connections come after a couple of years after they put in an application.

(Interview with MCR, 26 February 2004).

The customer service manager in the above statement was trying to justify the reasons for reforms: that public service was inefficient for customer needs. He was speaking years after the public sector reform. An engineer commented:

Engineers were quite powerful in the government days. What was important was to provide lines to customers. Money was not so important then.

(Interview with ENG, 19 January 2005).

Most management positions were occupied by engineers (Fiji Posts & Telecommunications report, 1988). Management in the government days appeared to be secure in their conviction that an engineering discourse was a legitimate one and that they were acting in the interest of the public as a whole.

The accounting system was cash-based and ignored asset records. While FPTL was a government department, the government provided assistance such as off shore loan guarantees from the Asian Development Bank and World Bank and free rentals of all property (FPTL annual report, 1990). The free rentals related mainly to FPTL land and buildings. The loans from ADB and World Bank amounted to F\$5,247,125 (FPTL annual report, 1990).

A customer service manager recalled:

In the government days, often ministers may also intervene into who should get the phone even though we may have a long wait list. Political favours were prevalent for some customers known to the government ministers, especially if they were supporters of the ruling party.

(Interview with MCR, 19 January 2005).

In civil service days, FPTL actors had rule-bound bureaucratic management and some political intervention into operational issues. Control lay with politicians who intervened into the operational affairs of FPTL to exercise patronage and get advantage for their party in terms of votes in upcoming elections (see also Wickramasinghe, Hopper & Rathnasiri, 2004).

An accountant commented:

In the civil service days, there was lots of bureaucracy. Any position that you needed to fill or requests had to go through Public Service Commission for approval. The Public Service Commission took ages before the approval was granted which was a bit frustrating for us. Our organisational chart was also very hierarchical then.

(Interview with ACT, 3 February, 2005).

From the evidence, it may be concluded that as FPTL was a bureaucratic organization with more levels of organizational hierarchies, communication at times was delayed and decision making took longer than anticipated by FPTL agents. Management was subject to the civil service rules of the Public Service Commission. Public service obligations necessitated accountability to the Public Service Commission and to parliament.

However, some people within FPTL were quite supportive of the public service model, as evidenced by the following interview quotes:

We were quite happy with the civil service culture then. Our jobs were more secure.

(Interview with RMB, 18 January 2005)

Our intention was to provide a public service. Money didn't matter then.

(Interview with ACT2, 26 February 2004)

We were providing a public service. The cost of our services was affordable. We enjoyed the privileges of being civil servants, had secured jobs and had abundance of leave to use.

(Interview with ENG, 20 January 2005).

I've been with the company so long and have seen many changes. We have had to learn to adapt to these changes and to move with times. When I first joined the Operator Services Sector, the operators worked on old

manual switchboards and because there were only a few subscribers we basically knew all our customers by name. Now we have learnt to operate the latest in computerised technology, a far way from old days. We now deal with thousands of customers. Although the new and modern systems are good to work on and more efficient, I still miss the early days.

(Interview with OS, 18 January 2005)

As evidenced from the above interview extracts, some employees were so used to the public service rules and routines that they regretted the loss. Telecommunication services then were considered a social commodity and were affordable to the average customer. A strategic manager stated that there was abundant leave such as sick leave, compassionate leave, bereavement leave available to employees during government days which some workers made maximum use of. The leave that was in existence in the government days entailed annual leave of 18 days, sick leave without medical certificate of 6 days and with medical certificate of 21 days, and compassionate leave of 3 days. Also civil service jobs were secure, with people continuing to work until their retirement; there was no contractual employment.

The Fiji Posts and Telecommunications annual report (1986) notes that the departmental members were responsible for the development and maintenance of postal and telecommunications services throughout Fiji. The Fiji Posts and Telecommunications annual report (1989) points out that the departmental managers and employees ensured that there was a cost-effective communications network adequate to cope with national needs and priorities. There was an emphasis on capital investment to reduce the wait for telephone service by achieving a higher rate of new connections (Fiji Posts & Telecommunications annual report, 1989).

The department's management control followed government regulations such as financial regulations, guidelines and circulars issued by Ministry of Telecommunications. Controls emphasized hierarchical responsibility and financial accountability. It took applicants years to get a telephone line, but with political interference the connection could be quicker. There were 12,773 people waiting for telephone services in 1989 (FPTL annual report, 1990).

On advice from the World Bank, the Fijian government began corporatising FPTL in 1989. The change could be described as emanating from an external jolt

(Laughlin, 1991). The Fiji government's reform policies involving corporatisation produced some conflicts and struggles amongst FPTL actors which are discussed in the next section.

7.2.1 Corporatisation of FPTL (1989-1990)

The interim Fijian government in the late 1980s, under pressure from the World Bank, was encouraged to corporatise FPTL. The coercive pressure for corporatisation also stemmed from Arthur Andersen consultants, brought by the new FPTL board, and the globalizing influences of new public management (NPM). Hood (1991, 1995) refers to NPM as one that lessens or removes differences between public and private sectors and emphasises a greater element of accountability in terms of results.

The ethos and rhetoric surrounding the reform was marked by a heavy emphasis on corporatisation, deregulation and decentralization inspired by the then interim government's neo-liberal reform agenda (Opportunities for Growth, 1993). Whilst stressing the need for radical change, the reform emphasized the steps necessary for enhancing the efficiency and quality of postal and telecommunication services (FPTL annual report, 1990).

A key mechanism for reinforcing the incentives of efficiency and quality ends was the "quasi market" logic embedded in new accounting principles of return on assets and profitability. Such logic contrasts with the past when engineers were predominant and physical production was viewed as more relevant than commercial accounting values. In keeping with the market logic, subscribers to telecommunications were renamed "customers."

The previous institution of public service norms was viewed by management and media to have lacked customer focus. Ultimately the ongoing movement towards a commercial business ethos introduced a clash between the two institutions of public service and commercial business. This will be discussed in-depth later in the chapter (see page 124). Despite the reform, FPTL continued to provide rural telecommunication services which were subsidized by the Fiji government. The

non-commercial service was part of the public service goal of FPTL in order to fulfill the communication needs of rural people.

The World Bank and ADB were lenders to the Fiji government and their (World Bank and ADB's) general ideology was that the public sector ought to be efficient and responsive to the needs of customers. As engineering and physical production routines were predominant at FPTL, the infusion of business norms through corporatisation created tension amongst actors. A human resource manager commented:

As corporatisation was a new thing, some people went along with it. As with any introduction of new ideas, 30% will go along, 30% will sit on the fence and the 30% will be on the other side opposing the change. It will be like this whenever you start a new thing. It was a little bit difficult to educate the people.

(Interview with MHR, 18 February, 2004).

An engineering staff member commented:

With corporatisation, there were mixed feelings. Some people were uncertain of their future as to what would come to them.

(Interview with ENG, 18 February, 2004).

The above interview evidence indicates uncertainty and possible resistance to change by some people. There was an ongoing conflict between public service and commercial business routines. Seo and Creed (2002) note that the likelihood of a shift in collective action by actors increases when actors face tensions arising from contradictions. Through corporatisation, there was a challenge to extant ways of thinking and operating in terms of commercial business routines.

The reform of Post and Telecommunications was considered by some employees at FPTL as part of the harshness of government policies emanating from pressure from donor agencies of the World Bank. The corporatization meant FPTL's members were more concerned with profit seeking which shaped increased prices for postal and telecommunication services. For FPTL members, money as an end became more important after the reform. In the historical circumstance, there was little demand for accountants. The role of engineers was more important. After the reforms, the management rationalized them, regarding the public sector as less efficient than the private sector.

Corporatisation of FPTL shaped a “radical change” (Lawrence et al., 1997; Burns & Scapens, 2000) which enabled a shift in actors’ collective consciousness towards business norms. A customer service manager commented:

There was a lack of performance targets in public government days. As a result people did not pay much attention to customers then.

(Interview with MCR, February 26, 2004).

The desire to transform the government department into FPTL as a business-like organisation necessitated the transplantation of managerial habits and routines such as introduction of TQM practices and performance management system. Within FPTL, changes included the appointment of 5 general managers of divisions that were renamed as Strategic Business Units in the areas of Customer Services, Marketing, Network Engineering, Support Service and Finance. The position and name of Permanent Secretary for Posts and Telecom was changed to Managing Director and the Private Automatic Branch was renamed Corporate Business and Small Business and Residential. Changes were noticeable as the restructuring proceeded at FPTL and a mission statement was adopted as a guiding principle for meeting company visions and objectives. The mission stated that:

Fiji Posts and Telecommunications Limited is committed to providing its customers high quality postal and telecommunications services. Our purpose is to meet the needs of our customers by providing efficient, reliable, cost effective and affordable products and services. We will improve our network and facilities fully utilizing the resources available including the introduction of new technologies. We will promote an organizational climate that will increase productivity through training, team work and innovation among our staff. We will continue to be profitable in our business.

(FPTL annual report, 1990, p.1).

On the transition from a government department to corporate organization, workers were given a choice: they could choose to remain with government or join the new company. One of the finance managers commented:

Only at this instance, at the time of separation from government which was from a department to corporate organization, we gave the opportunity to people whether you want to remain in government or be part of team of Posts and Telecom Limited. That time option was given to the people. Those who wanted to stay with the government, they stayed with government. They were given jobs in the government departments.

(Interview with CFO, February 26, 2004).

Another accountant commented:

Non-technical staff were given the option of joining the new company or remaining in the civil service. To avoid staff leaving the company, FPTL gave higher salaries which worked well and staff chose to remain with FPTL.

(Interview with ACT2, February 3, 2005).

One per cent of the employees, approximately 13 to 15, mainly administrative staff, left FPTL for the civil service. Some staff faced a contradiction between public service and private sector templates and chose the former, thus exhibiting their resistance to commercial business routines. By these workers joining the public service departments, their taken-for-granted institution of public service was not disturbed. A customer service manager commented:

We should not forget that the Regulatory Unit of the former Posts and Telecommunications Department has been taken by the Ministry. That was to keep the regulatory arm under the government. Out of the 13 or so staff that joined government, 5 were from the regulatory section who had no choice but to remain with the government.

(Interview with MCR, 17 January, 2006).

One of the finance managers commented that “during the transition, everyone was asked to resign from civil service and rejoin Fiji Posts and Telecom Limited.” He went on to say:

You have to give choices to the people and this is what the government said; those who want to stay with government stay, those who want to go to Post and Telecom can go there. And that is the time they (government) said you have to resign because you’re no longer employed by the government. Resigning and rejoining was done at the same time.

(Interview with FM, February 26, 2004).

Another quality manager commented:

People who joined the civil service were mainly conservative in their thoughts. They thought by remaining with government their job is secured and were worried that by joining Post and Telecom company, may be they (employees) will lose jobs because of expected restructuring that may lead to redundancy of workers.

(Interview: February 25, 2004).

The workers were faced with uncertainty after corporatisation. As evidenced from the above interview quote, the workers who moved to civil service, except those in regulatory function who had no choice, were used to public sector traditions as a mode that governed day-to-day activities. Integral aspects of corporatisation were changes in people’s attitudes, behaviour and values

(institution) to create appropriate business routines within FPTL employees who were so embedded with public service ethos in the pre-reform days. Also given the unemployment issue, some employees felt more secure to remain within government departments.

Having described some of the events immediately around the corporatisation of FPTL, the next section examines the various contradictions at FPTL that shaped changes to business routines at FPTL. The changes were recommended by Andersen consultants, an external change agent who was hired by the board of directors, to provide commercial business direction to FPTL agents.¹⁴

7.2.2 Institutional Contradictions at FPTL

This section reflects the various institutional contradictions that existed at FPTL. The contradictions are referred to in relation to the literature by Seo and Creed (2002) who identify a number of contradictions in the social interaction of organisational actors. One is the gap between the levels of performance arising from conformity to existing institutions and the alternative opportunities in the market place (the “inefficiency contradiction”). The second is the inability of organisation actors to adapt to exogenous jolts due to “locked-in” patterns of behaviour (the non-adaptability contradiction). The third contradiction is the inconsistencies between values deeply held but mutually inconsistent (the interinstitutional incompatibility contradiction). The presence of institutional contradictions can drive, enable and constrain further institutional change (e.g., Seo & Creed, 2002).

In the postal and telecommunication sector there have been clashes of interest between trade unions and management, and between engineering and accounting staff. As a senior Telecom manager recalled when asked about the role of unions in the reform process:

In Fiji, we always had militant unions. With reforms, the unions consider

¹⁴ The thesis distinguishes between external change agents and institutional entrepreneurs (internal changes agents). Institutional entrepreneurs are the embedded actors who change institutions while external change agents may come from outside the organisation.

that they will lose power and so strongly resist reforms, especially when it comes to shedding of workers.

(Interview with GMA, 19 February, 2004).

The trade unions have been a source of tension in the reform process. There was an increase in the number of industrial disputes and strikes in Fiji since the Qarase government came to power in 2001 reaching an all-time high during 2002 with a record number of 174 industrial disputes and 25 strikes (Ministry of Industrial Relations, 2004). Table 5 summarises the detail of industrial disputes and strikes.

Table 5 The Detail of National Industrial Disputes and Strikes (1993- 2003)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of industrial disputes	85	78	88	158	170	142	143	114	143	174	170
Strikes	12	8	9	12	8	6	9	13	15	25	16

(Source: Ministry of Labour and Industrial Relations, 2004).

Fiji Islands Bureau of Statistics (2007) reveals the number of strikes in 2005 as 6 compared to 9 in 2004.

A secretary of the Telecom union, on being asked about the impact of reforms on FPTL workers, commented:

We will not tolerate any redundancy and have not tolerated any so far as a result of restructure. Any potential redundancies need to be discussed with us. And if members wish to voluntarily take redundancy package, then this is welcome but we do not welcome any forced redundancy. That is our stand since the reforms and we very much maintain that stance.

(Interview with FPTLS, February 24, 2004).

The secretary of the union went on to say:

FPTL workers are well known for the industrial disputes. We are here to fight for the basic rights of the workers and will ensure that their rights are not violated. We have been doing this since the organisation has been corporatised.

(Interview with FPTLS, January 24, 2004).

A fundamental premise of Marxist political economy is that only labour can produce surplus values and thus profits (Wright, 1999). The capitalist exploits labour to extract surplus value from the production process. A major way of increasing this exploitation is through increase of surplus value resulting from the expansion of the working day and intensity of work. Workers are forced to work

in a system that they intend to subvert through various resistance practices. All the contradictions of capitalism are between wage labour and owners of capital. Contradictions provide a continuous source of tensions and conflicts which may shape consciousness and action to change the present order.

The case of privatised TFL represents capitalist social formation which is somewhat antithetical to the interests of labour. The trade union-management clash is an indication of TFL workers' inability to adapt to exogenous jolts because of "locked in" patterns of behaviour and thought (the non-adaptability contradiction) (see Seo & Creed, 2002). The employees tended to resist adapting to commercial business routines and tended to negotiate for higher wage rates relative to the private sector. An interview with the union secretary revealed that the TFL management teams have been in constant negotiation with the union and have been giving the workers marginal annual increments. Such increments in wages to employees may allow embedded actors to act as institutional entrepreneurs. The embedded agents are normally happy with increments and can become institutional entrepreneurs to shape changes. The increments are normally provided by management if changes are embraced by organisational actors.

FPTL actors had to change incrementally to commercial business routines as a consequence of the government's policy on public sector reforms which was incompatible with FPTL actors' public service way of doing things. In relation to FPTL actors, there was a dramatic change in institutional arrangements. FPTL actors were to run FPTL as a "successful business," selling their products and services at a profit. A board of directors and a chief executive were appointed to effect the changes. Preferences in such appointments were for people who had been successful in the private sector in order to inject a new type of governance to FPTL.

The tensions between two contrasting institutions were evident at FPTL. A new interpretive scheme with a different language has been introduced, providing an alternative view of effective and efficient postal and telecommunication services. There was a clash between the two institutions, and people were mobilised to

effect or resist the new language of accounting and economics taking over from what used to be mainly engineering concerns.

Managers rationalised performance concerns by creating dissatisfaction with public service routines. Seo and Creed (2002) refer to this contradiction as the technical inefficiency contradiction. There were gaps between the levels of performance from conformity to institutional prescription of public service and from alternative opportunities as a corporatised FPTL where efficiency in business terms became the primary objective.

Seo and Creed (2002) also point out that a common way in which institutional contradictions facilitate a shift in actors' collective consciousness is by creating an abrupt disruption of existing social order through institutional crisis. Once induced, institutional crisis may break down the institutional embeddedness, make the institutional system highly unstable (DiMaggio & Powell, 1991), and induce a radical shift in actors' collective consciousness. This illustrates an example of interinstitutional incompatibilities (e.g., Seo & Creed, 2002). The FPTL actors had to meet multiple stakeholders' expectations which involved the government and the donor agencies. These stakeholders demanded that FPTL be run as a business. The donor agencies of the World Bank, for example, wanted their loans to be repaid with interest. Running FPTL as a business was perceived as ideal by the Bank. The next section examines the political and cultural struggle that existed at FPTL and which is a form of non-adaptability contradiction.

7.3 Political and Cultural Inconsistencies and Control Changes: 1992-1995

This section examines the political and cultural struggle at FPTL and outlines how the institutional entrepreneurs were involved in the change process. The second subsection outlines the political and cultural issues specific to Fiji that induced resistance to the change process. The resistance to change inhibited changes at FPTL for some years.

7.3.1 Institutional Entrepreneurs: 1992-1993

The newly appointed Board of 1992 and top-level managers were the institutional entrepreneurs who inherited an organisation that for many years had a strong public service ethos. Fligstein (1997) points out that some social actors (in this case the Board of Directors and top-level management) are better at producing desired social outcomes than others, and may be called institutional entrepreneurs. Winning the hearts and minds of the workforce and changing habitualised modes of thinking and behaviour was a challenge. For a time, there was bound to be uncertainty as institutional contradiction/inconsistency was introduced to the organisation. The institutional incompatibilities created a sense of institutional crisis (see Seo & Creed, 2002). It is in times of crisis that agency comes to the fore (Giddens, 1991; Beckert, 1999; Dorado, 2005).

Cultural change does not happen overnight and there was no apparent immediate improvement in performance at FPTL. According to a manager, it became apparent to the Board that after two years of corporatisation, FPTL's efficiency had not improved. Profits were generated by price hikes and not by improved efficiency (FPTL annual report, 1992). FPTL was a monopoly, so could raise prices to improve profit without needing to be customer-conscious. The newly introduced commercial rules and routines may have been no more than formalised myth and ceremony (Meyer & Rowan, 1977). Though routines were being changed for the sake of appearing legitimate to outside constituencies, operational efficiency was unaffected (see Seo & Creed, 2002; Meyer & Rowan, 1977). The external change agent was the hired Arthur Andersen consultant. Fligstein (1997) identifies strategies such as agenda setting and framing action that institutional entrepreneurs may use to change the behaviour of embedded actors. Agenda setting is the ability to set the course of action for other actors and may mean convincing multiple actors and groups that the agenda is in their interests. Framing action may mean that institutional entrepreneurs have to convince others that the apparent change is in the actors' interest. Through these strategies of agenda setting and framing action, changes within the institution may be brought out.

FPTL's annual report (1992) notes that the consultant was charged with introducing commercial values such as focus on profitability, return on

investment, debt/equity ratio and realignment of FPTL's organisational structures. The Andersen consultants were hired for six months by the Board to produce a strategic vision for FPTL. Andersen consultants studied FPTL's operations and noted in their report that revenue was generated overwhelmingly by urban customers, and that there was a large urban customer wait list that needed to be improved (Andersen's report, 1992). This report emphasised that FPTL compared poorly in terms of return on assets and profit margins against other Telecom companies in the region, and also against other large companies in Fiji. Andersen called for a rise in telecom prices and improvement in the "efficiency" of telecommunication services. The consultants' report also advocated that Naqova, the managing director of the company would be unable to lead the organisation into corporatisation unless he received further training, possibly a secondment to a telecommunications company that had already made a transition from a government department to a commercial entity. Andersen also recommended dividing company into five Strategic Business Units headed by a general manager and introduced the position of Chief General Manager between general managers and managing director.

The top-level management team performed the role of institutional entrepreneur in implementing the consultant's report. Through this implementation, the external change agent of Board and institutional entrepreneurs of management attempted to destroy the institution of public service ethos and create a new institution of commercial business routines. The institutional entrepreneurs attempted to motivate other actors to act cooperatively in the production and reproduction of commercial business routines. The uncertainty created by the institutional entrepreneur (management and board members) had not yet been replaced by new institutionalised behaviours. The next section examines the resistance to change by Naqova and other managers in accepting new commercial business routines.

7.3.2 Political and Cultural conflict used by Naqova and other managers to resist change: 1992- 1994

This section illustrates some of the resistance expressed by Naqova and other managers to the change process. According to one of the interviewees, while implementing the Andersen report's recommendations in 1992 (and as discussed

in chapter 6), as part of introducing a commercial culture into FPTL, the Board of Directors met extensive resistance to change from Naqova (Managing Director) and other managers. Naqova, an engineer by profession, had been the Permanent Secretary for P&T since 1982, and was appointed Managing Director when P&T was corporatised in 1990. As discussed previously, the consultant's report claimed that Naqova would not be able to lead the company into corporatisation and recommended that he be given overseas training. According to an interviewee, Naqova was asked to leave after refusing to accept such offers. Naqova personified the internal contradiction introduced to FPTL in which profit-oriented ways of thinking conflicted with the longstanding public sector ethos within FPTL. A customer service manager pointed out:

In the civil service days our objective was more on providing telecommunications as a public service. It was more of a political ambition through social objectives to concentrate on geographical coverage or telephone service penetration to all at any cost.

(Interview with MCR, 20 January, 2005).

According to one manager, many managers and workers were against the board, especially against Robert Lee, the chairman of the board, who was called "El Supremo" around FPTL. Lee was putting a lot of pressure on FPTL employees to work towards commercial business goals. Lee had been appointed Board chairman as he had sufficient business expertise and was owner of a successful business in the capital, Suva. FPTL's commercial routines, according to a customer service manager, had not gained widespread acceptance and were challenged.

Naqova's success in holding back the change process at FPTL represented a non-adaptability contradiction (e.g., Seo & Creed, 2002). The lack of acceptance of commercial norms stemmed from the top, that is, the management/board, and only after Naqova was forced to resign were FPTL management and staff more willing to acquiesce to the change process. The workforce needed assurance that commercialisation would not result in job losses, as evidenced by one of the accountant's comments:

We were told to accept the change as no one would be made redundant from the job. Rather the services that were outsourced, staff were redeployed elsewhere in the company. Those who were shifted were told by their bosses that the shift was because they (boss) did not like them to lose jobs.

(Interview with ACT2, 17 September, 2002).

Great uncertainties clearly existed between management and workers. There were tensions at the highest level, and these involved social, political and cultural factors specific to Fiji, localised influences that tend to be ignored in conventional portrayals of the isomorphic tendencies of institutional theory. The new Minister for Telecommunications added to the uncertainty because of his support for deposed Naqova. One of the human resource managers commented:

The minister gave an ultimatum to Lee (the chairman of the Board of Directors) to resign. Lee did not resign and the Board said it supported Lee. Rabuka, the then Prime minister, intervened and asked Lee to stay on. The Board then turned around and sacked our General Manager, Pratap Singh, who was fiercely opposed to change. About 1,000 FPTL workers went on strike in support of Singh.

(Interview with MHR, 3 February, 2005).

Cultural influences played a pivotal role at FPTL. For example, the minister gave an ultimatum to Lee as he did not want Naqova to lose his position. The minister was from the same Naitasiri province as Naqova. Communalism and close personal relationships are common in Fiji. The traditional Fijian socio-economic system pervasively remains cooperative, communal and village-oriented (Lloyd, 1982). It appeared from the local press (The Review, 1992, p.10) that only when Rabuka, the then Prime Minister, advised Lee to stay on did the Board decide to sack Pratap Singh, an influential general manager who, like Naqova, was fiercely opposed to change. “The board accused Singh of subversive action to topple the board of directors” (The Review, 1992, p.10). Singh was a great supporter of Naqova and, according to the Review (1992), was also a friend of the Minister of Telecommunications and provided an FPTL vehicle to the minister to use over the weekends.¹⁵ As the trade unions in Fiji are militant, the union supported FPTL members to take industrial action unless Singh was reinstated. Singh’s dismissal led workers to stay out of work for fear of redundancies. On failing to secure his reinstatement, the workers became so frustrated that they sabotaged cables, affecting many people in the capital, Suva. The FPTL annual report (1992, p.4) stated that:

the strike and sabotage in July 1992 severely disrupted company operations and temporarily interrupted forward movement.

¹⁵ The Ministers are restricted from use of ministerial vehicles for personal use. It appeared that this Minister did not own a personal motor vehicle and relied on a FPTL vehicle over the weekend.

Here the introduction of commercial rules and routines was subjected to resistance as it met socio-cultural influences and challenged the traditional interests of the labour movement as well as a public service ethos opposed to profit seeking from essential services. Public service routines dominated by physical production and engineering norms had been legitimate during government department days. Powell (1991) points out that efforts to change shared expectations, in this case the civil service ethos and engineering norms, are often resisted as they threaten individuals' sense of security and disrupt routines. The sabotage was a form of resistance due to contradictions between employees and the Board. Trade unions, which are quite militant in Fiji, played a pivotal role for employees.

The philosophical root of resistance could be mooted as the failure of the new system which could be seen as exploitative and making profits in a monopolistic situation. The institutionalisation of business-like, profit-oriented ways of thinking was not initially successful. The government-appointed change agents such as the consultants were trying to institutionalise the pursuit of profit and shareholder value, but this seemed not to have been widely accepted.

According to a manager, as workers stayed out, there was no sign of resolution to the dispute. This culminated in the extraordinary act of the Board stepping down 'in the national interest'. The Minister for Telecommunications then threatened Prime Minister Rabuka that if Naqova was not reinstated his and Naqova's Naitasiri province would withdraw support for Rabuka's party. As Rabuka's government was fairly new at that time, he feared the withdrawal of support and gave in to Naqova's reinstatement (The Review 1992). This meant that the Board had to step down, as the Managing Director, Naqova, and the Board shared an unhealthy working relationship (The Review, 1992). According to an interviewee, the Minister appeared to have a track record of creating industrial disputes. It was claimed that he had led a strike as a high school student when he was head boy and at least two interviewees portrayed him as someone who was quite confrontational in attitude. The cultural and political context of Fiji is a complicating factor in institutional change within FPTL. The lack of institutionalisation may be partly due to the interplay between cultural and political forces. People have close relationships: they appear to quite closely

associate themselves with others who belong to the same province or tribe as was the case with Naqova and the Minister, and forces such as profitability are secondary to these people. Fijian society is characterized by collectivism, large power distance, strong uncertainty avoidance and femininity.¹⁶

Lee, the chairman of FPTL in 1992, told the Review (1992) about his and the Board's stepping down:

For any corporatisation program, there needs to be a political will and commitment to carry through. People holding responsibility require understanding of the Companies Act and Articles of Association by which the company is expected to operate. Unfortunately, this was not happening because of a cabinet minister, the Minister for Telecommunications.
(p.13).

The role and functions of a Board of Directors is defined in the Company's Act and FPTL's Article of Association, section 87, which states that the business of the company shall be managed by the Directors. However, the Minister overruled the decision of the Board by reinstating Naqova.

At least two industrial actions eventuated at FPTL which led to the reinstatement of Managing Director Naqova. In 1992, workers were frustrated at not getting Naqova reinstated so, as mentioned earlier, they sabotaged cables at the Suva Exchange, affecting 14,000 lines (FPTL annual report, 1992). They undertook industrial actions on the second occasion and, with escalating industrial actions, the government acceded to workers' demands and Naqova was reinstated after the initial board resigned. FPTL's annual report (1992) reports that "27,512 man-hours were lost as a result of a strike by workers" (p.10). The trade dispute based on Pratap Singh's dismissal was referred for compulsory arbitration with the Fiji Public Service Association representing Mr Singh. The arbitrators ruled in favour of Mr Singh's reinstatement (FPTL annual report, 1992). The government set up a board of enquiry into the affairs of FPTL so that the confrontation could be

¹⁶ In Fiji, each village is headed by the chiefs and people have considerable respect for the chiefs; silence is an imperative form of communication and social respect (Achary, 1998b). Any questioning of the authority of chiefs is seen as a deviant behaviour as this characterises high uncertainty avoidance society. Femininity is pervasive in Fiji as there is a preference in society for relationships, modesty, caring for the weak and quality of life. Fijians have extended family and strong allegiances to the chiefs in the village.

overcome. A report of the enquiry set up by the Fiji government into the affairs of FPTL pointed out that:

...the board has made substantial out-of-court settlements, which may be interpreted to mean they erred in their original decisions but we record our concern at the loss to FPTL at a critical time of most experienced chartered engineers including Naqova...

(Parliament Paper, 1994, p.10).

The enquiry noted that Naqova and Singh had been responsible for the planning which had resulted in digital exchanges, fibre optic calling, trunk radio and cellular systems after corporatisation (Parliament Paper, 1994).

FPTL's annual report (1992, p.2) noted that:

...the year witnessed unprecedented events within the company which seriously affected public confidence in our ability to meet fully our obligations as an essential provider to those who are the purpose of our existence.

A parliament paper (1994, p.2) also pointed out that:

...the transition from Government Department to Competitive Corporation started in earnest from 1st January 1990... and further training of private sector concepts and objectives are still needed to fully convert and convince all employees. (p. 2).

The (1994) parliament paper went on to emphasize that while commercial objectives had been introduced, better industrial relations and cooperation between the Board of Directors and management were needed for continued achievement of FPTL's commercial objectives. The public sector norms at FPTL seemed to have been locked in and became isolated from or unresponsive to changes in the external environments. This unresponsiveness created a situation whereby conflict between FPTL employees and the Board of Directors developed. This can be attributed to cultural and political influences specific to Fiji. The next section outlines the appointment of a new Board and managers.

7.3.3 Appointment of a New Board and Managers: 1993-1995

This section examines the appointment of a new Board and management with business expertise in order for the change process to proceed. It required political will to appoint in 1993 a new Board which then attempted to remove the friction between management and to begin the process of implementing the Andersen

consultants' report. The new chairman, Lionel Yee, reported in the Review (1994, p.56) that:

My first job was to stabilize the company because of internal staff friction. This has not been totally eliminated yet. It takes time. Even those who feel opposed, hopefully in time will see that if they want to be a part of the organization, they should work together towards a goal of being a profitable organization in terms of capital and assets and so on.

The new chairman ensured that there was better communication and education about change to dissipate any fear among employees. There was a massive program of training, and overseas consultants on change management were brought in to educate workers on the needs and benefits of change. Besides this training, the key pillar of the new chairman's strategy was to expose key players to the FPTL training centre, an organization of FPTL used for telecommunications and other related courses. The courses at the centre also focused on customer services, leadership development programs and best practice sharing.

The FPTL annual report (1993, p.7) had forewarned of the challenges:

The restructuring of a Government department into a commercial company is never an easy task and there are many examples all around the world of the problems encountered in such an exercise. A new operational structure inevitably means the relocation of some working groups, group functions have to be redefined and new working practices have to be introduced.

Also a new chief general manager was appointed in 1993 to effect the necessary changes. The Chief General Manager had worked with several companies in Israel, USA and Europe (The Review, February/ March 1993). His function was to introduce, with the support of the Board of Directors and senior managers, strategies of profit orientation. The manager had dual professional qualifications, being both a qualified accountant and an engineer. His job was to introduce new practices to FPTL. In the language of institutional theory, he was a normative and mimetic influence, bringing practices and values from previous company experience as well as professional norms. These norms were buttressed by new Board appointments of people from business backgrounds. The Board was composed of business men and business women. For example, Board member Kanti Tapoo was the Executive Chairman of the Tapoo group of Companies, Mr James Raman was the General Secretary of the National Union of Factory and Commercial Workers, Savenaca Narube was the Governor of the Reserve Bank of

Fiji, while Adi Litia Qionibravi was the Deputy Secretary with the Fijian Affairs Board (FPTL annual report, 1995). Erakovic and Wilson (2005) note that such change in professional demography encourage new organizational policies where investment decisions are predicated on commercial and financial measures, not on engineering excellence.

Additional accountants with professional qualifications were hired. A person from Sri Lankan Telecommunications Ltd, previously a chief marketing and operations officer, was appointed Chief Finance Manager. The appointee had experience with business plans, budgets, variance statements and monthly performance reviews. He too had dual qualifications, being a member of the Chartered Institute of Management Accountants of UK and also holding a Bachelor's Degree in Engineering. After Board appointments were made of people with business background, the new Chief General Manager, the new Board and the Chief Financial Officer developed a strategic business plan for the company with some assistance from Telecom New Zealand consultants. The strategic business plan identified essential benchmarks for the company in terms of expected revenue, expenditures, investment and profitability forecasts. According to a manager, the strategic business plan encouraged employees to wear the "hat of finance" and consider shareholders' interests. The strategic business plan was supported and reinforced by extensive programmes of training by FPTL management.

The (1994) parliament paper emphasized that, while commercial objectives had been introduced, better industrial relations and cooperation between the Board of Directors and management would be needed for continued achievement of FPTL's commercial objectives. Due to the industrial actions of 1991/1992 and strong resistance to change by some senior management and staff, FPTL employees' thinking had not totally adapted to commercial routines. The next section outlines how commercial routines were assimilated by FPTL actors after the resistance to change was gradually reduced.

7.4.0 Production and Reproduction of New Practices: 1995 onwards

The period of uncertainty had brought tensions and lack of progress to FPTL. The model of institutional contradiction, institutional entrepreneurs and the process of institutionalization described earlier in Chapter 3, section 3.6.0, Figure 2 shows how managers may be able, in time, to overcome uncertainty created by the destruction of old institutions by creating a sense of stability through the process of enacting and reproduction of new practices.

Although the difficulties of 1991/1992 had a temporarily negative effect on business operations and profits, the business experienced recovery (FPTL annual report 1995). The new Board of Directors and top-level managers began a process of education and training which involved the introduction of new practices based on Total Quality Management (TQM) principles in 1996. Staff were involved in the change process and the advantages of these new stabilized procedures were slowly incorporated into daily routines. Improvements in operational efficiency were evident in, for example, reduced wait lists and a move into fibre optics, trunk radio and cellular networks, and a digital exchange improvement which had been much desired in the pre-corporatisation days (FPTL annual report, 1995). Some uncertainty was created by the abrupt changes but actors gradually assimilated the new business routines. There were ongoing conflicts between public service and commercial business routines such as profitability and use of accrual accounting, which created uncertainty, but gradually through education and training, actors slowly began to routinise commercial business routines. The accountants were proactive in introducing commercial business routines such as economic value added, net present values and pay back period to be discussed in the next chapter. A manager commented:

There were regular staff circulars and site meetings informing of the changes that were coming in.

(Interview with GMA, 3 February, 2005).

According to one of the managers, there was a great deal of awareness and education about changes to explain the Andersen report and associated corporatisation. Explanations were given to employees at all levels of the organization. FPTL workers had in-house training whereby they received

explanations about what was happening in their changing work place. This helped to dissipate the mistrust many of the workers felt and somewhat reduced the confrontational attitude of the early 1990s. Jacobs (1998) observes that systems of accounting and accountability introduced to anchor reform will encounter minimal resistance if the whole reform process is well-communicated to organizational participants. After 1995/1996, the public service ethos was slowly reduced, as can be observed in the following interview extracts. Decisions were made much more quickly, informed one of the managers. Another manager claimed that:

We have freedom to do our work. And at the end of the day what the government needs is the tax and dividend income.

(Interview with QM, 26 February 2004).

Result-orientation in terms of customer satisfaction, as well as bottom line profitability, began to play a pivotal role at FPTL. A Strategic Manager commented:

After corporatisation, our culture had to change. We were to be more customer-focused and had to change our attitude. Before it used to be 8:00 – 4:30 p.m work. Now even after 4:30p.m, service is still given. The aim is to finish work. At the end of the day, it is the customer that matters.

(Interview with SPM, 11 January 2006)

A Finance Manager commented:

TFL is now focused on both dollar and service provision. At the end of the day how you provide service is what you get. This is in terms of performance targets that we have to reach. In terms of capital investment, we need to seriously look at return on investment.

(Interview with FM, 17 January 2006).

Result orientation became routinised at TFL. A Quality Manager stated that, in order to accept changes, TQM was introduced in 1996 and in-house training held which assisted the new Board to set up routines of business and accounting norms. Around 1997, commercial criteria were also developed in the form of performance incentive schemes predicated on profitability. A human resource manager commented:

Our performance is assessed every quarter by our superiors. And on meeting our performance targets which are mainly commercial and output oriented, we are granted bonus payment equal to one fortnight's pay every quarter.

(Interview with MHR, 26 February 2004).

The performance incentive scheme motivated employees to gradually assimilate commercial business norms. Each employee is assessed by his/her superior on the basis of punctuality, customer services, job expertise, business/financial focus, and professional attribute/ interpersonal relationship (TFL performance measurement form, 2002). A possible 100 marks is allocated on the above indicators and those employees achieving 70% or more are granted bonuses equivalent to their fortnightly pay.

The commercial norms slowly became reproduced by FPTL employees over a span of time and became institutionalised practice. In other words, there were changes in routines, as people adapted to the new commercial environment. Interview evidence suggests that, as time went on, the commercial routines were assimilated, as the employees habitually practiced these actions. The managers played an instrumental role in institutionalising these commercial business practices at FPTL. This is not to say that the public service institution under which FPTL was initially established was totally eliminated. In rural areas, FPTL actors still provide telecommunication services which are being subsidized by the government. This non-commercial service is part of the public service goal of FPTL in order to fulfill the communication needs of rural areas. The expenditure is partly subsidized by the government. ATH's annual report (2005) reports that the annual government grant towards rural services is approximately F\$1 million.

Over time, FPTL actors moved from an interpretive scheme of public service ethos to one predicated on business norms within an ongoing climate of change. There were some delays in this movement, due to uncertainty surrounding the suspension of some engineers by the Board of Directors while other employees were fearful of being made redundant as well. Conflicts between two competing management control ideologies of public service and commercial business routines were profound. The new work culture was a shock to most workers. They had to work harder and become customer friendly. The new routines were not well received by many workers. A typical complaint was that "there is a lot of work, too much. The company likes to exploit us. Our salaries have gone up but at the same time we are loaded with much work" (Interview with ACT1, 11 January 2006). Change was ongoing at FPTL, but the change to business

routines, in particular, was not smooth. The institutional entrepreneurs faced some difficulties in embedding changes.

New commercial accounting routines performed both technical and symbolic roles. The commercialization of FPTL created a new environment that rendered the old bureaucratic procedures inadequate and stale. A finance manager commented:

The Finance division became more important than ever before.

(Interview with FM, 20 January 2006).

A human resource manager commented:

There were new ways of measuring the performance of employees that were more transparent than previous confidential ways where employees hardly got a chance to view the report. This showed that changes were taking place.

(Interview with MHR, 20 January 2006).

The other commercial technologies that were introduced to anchor the reform process entailed:

- internal management reporting systems. Each division had the services of a management accountant reporting on budgeting and planning systems. The management accountant had to report budgeting and planning systems in turn to the Finance division;
- government auditors replaced by PricewaterhouseCoopers.

As the enactment of business norms progressed, it created some uncertainty amongst FPTL actors. Through ongoing training and education by the institutional entrepreneurs of the top-level management team, employees became more certain about the rules and routines embodying commercial and financial orientation. According to one interviewee, the change was ongoing and it took four to five years before business norms were assimilated and routinised by actors. In this situation participants chose to live, however reluctantly, under a new underlying dominant ethos of the pursuit of financial returns, together with associated accounting technologies. The changes were ongoing in nature and the business norms were enacted from 1995 onwards when tensions subsided slightly.

The business norms also paved the way for the separation of Post Fiji from TFL (FPTL) in 1996, both pursuing financial returns as business-like enterprises. The pressure for the split emanated from Arthur Andersen's consulting report, which itself reflected the globalizing influence of the concept of new public management. The changes at FPTL were facilitated by the institutional entrepreneurs of top-level management with the help of the new Board of Directors. It was the change agent of consultants that helped to destroy the existing institution of the public service ethos. The consultants were the agents of managers or what Czarniawska-Joerges (1990) calls the carriers of the new ideas and practices into the organization. The carriers (Czarniawska-Joerges' "merchant of meaning") infused TFL with new commercial language and objectives. The institutional entrepreneurs acted in discordance with the established institution and practices of a public service ethos in order to eventually change them to commercial business routines. The next section brings the narrative together and discusses the results in line with the theoretical framework developed in the chapter.

7.5.0 Discussion/Summary

Institutional processes often create institutional contradictions or paradoxes which may be exploited by particular actors by invoking alternative templates of organising in challenging the entrenched order (Beckert, 1999; Seo & Creed, 2002). In Fiji in the late 1980s, the established public sector rules and routines were challenged by the interim government which started to reform public enterprises under the strictures of the World Bank and ADB (Sharma & Lawrence, 2008). There were also what Seo and Creed (2002) describes as non-adaptability contradictions. Actors were locked in a public service culture and often there was a barrier between the trade union and management regarding the shedding of workers during reforms. The top-level managers had to assure the trade unions that no redundancies would be made, while slowly introducing organizational control changes at FPTL amidst some overt resistance from employees. The intervention by government and encouragement from overseas financial agencies created an institutional crisis which demanded cultural change. Once induced, the institutional crisis began to break down the institutional embeddedness of the public service ethic among the management and employees

and, while there was some initial resistance, the contradiction led to a radical shift in actors' collective consciousness. The changes included the appointment of five general managers of divisions that were named Strategic Business Units, a mission statement being established, Board members and management with business expertise being hired, and Total Quality Management practices and the performance incentive scheme practices being also implemented.

Initially, there was evidence of institutional contradictions. Clemens and Cook (1999) define contradiction as a combination of features that produce an unstable tension in a given system. Although the changes towards a "business-like" approach provided external legitimacy, efficiency gains for the organisation were not forthcoming. Consultants were hired by the FPTL Board to infuse commercial routines within the daily practices of FPTL employees in the belief that new public management routines, including profit-oriented accounting, would lead to improved effectiveness and efficiency of operations. The consultants' recommendations were implemented by the institutional entrepreneurs, that is, the top-level management. The institutional entrepreneurs used strategies such as agenda setting and framing action to change embedded actors' actions (e.g., Fligstein, 1997). The institutional entrepreneurs of top-level managers, through training, had to encourage other actors that the changes were in their interests and that they would not lose their jobs. Once the fear of job losses was alleviated, the employees gradually adapted to new business routines. Nevertheless, there was still some resistance to change in the early years of corporatisation.

To understand accounting control and environment relationships, a consideration of both the technical and institutional environments is essential (Abernethy & Chua, 1996). The central argument of this chapter is that changes at FPTL were introduced as part of the broader reform of the public sector under the banner of NPM that emphasised value for money in public sector organizations. A more business-like approach was demanded. FPTL management responded by introducing new policies and procedures in line with technical-rational theorizations. The accounting changes enabled FPTL's management to demonstrate acceptance of a new set of values as well as legitimacy and survival.

The Fiji government introduced changes as a result of coercive pressure from the World Bank, ADB and the world-wide movement towards new public management in order to reform its public sector. Coercive pressure from the state government took the form of funding constraints. FPTL began to be infused with accounting changes that made it appear more like a business. The accounting changes enabled FPTL's management to demonstrate acceptance of a new set of values, thereby securing funding and legitimacy.

Inside FPTL, the changes were neither quickly nor universally accepted. The monopoly status of FPTL contradicted the market model on which the reforms were based. A manager recalled that during the early stages of corporatisation, improvement in profit was a consequence of price hikes in services and not of efficiency. Pallot (1998) has argued that privatization of public assets and the pursuit of a profit objective is problematic. There were also militant trade unions which resisted any move towards redundancies at FPTL. This can be ascribed to a non-adaptability contradiction (Seo & Creed, 2002). During privatization, the quest for improved profit may trigger management to shed labour, but in this case such action was strongly resisted by the trade unions. The new institution may sometimes take a couple of years to fully evolve (Greenwood & Suddaby, 2006). The conflict/struggle of actors transforms the embedded social actors into institutional entrepreneurs who further enable the subsequent change process. Assurance by management that workers would not be made redundant after reform enabled the top-level management to convince some workers to accept change, albeit with some reluctance. Overt resistance was often demonstrated and if such a situation arises in the future, resistance may surface again.

At FPTL, the composition of the board changed with private business personalities and consultants brought in to align FPTL with private business techniques. Legitimacy predicated on consumer choice was evident with the hiring of a new Chief General Manager who belonged to both the professional organisation of accountants and that of engineers and who brought professional practices into FPTL.

Institutional theory can be extended to explain human agency. To overcome the problem of "institutional embeddedness," Seo and Creed (2002) suggest an

ontological position that understands the world as always in flux and institutional arrangements as temporary phenomena. The seeds of new practical creation lie in the everyday activities of actors, and their social construction reflects particular interests and power structures.

The top-level management team, together with the Board of Directors, was instrumental in institutionalizing commercial business practices with input from consultants. Profitability began to be an emergent institution and ultimately became a “settled way of thinking” common to FPTL employees. However, there was uncertainty. Political and cultural issues specific to Fiji are pivotal in explaining the resistance that occurred. This was an example of non-adaptability contradiction (Seo & Creed, 2002). Communitarian values and tribal obligations in the form of personal relationships at the top management level triggered resistance. As a result of cultural and political inconsistency, some managers and employees resisted change for a few years before the Fiji government could stabilize the company through the appointment of a new Board and a Chief General Manager from overseas who tried to comfort the workers through reassurance that there would be no job losses. The new business routines were enacted and reproduced by the institutional entrepreneurs of the Board and the top-level management with the help of the western-based consulting firm of Arthur Andersen. The institutional entrepreneurs attempted to motivate other actors to act cooperatively in the production and reproduction of commercial business routines, although they met with some resistance. The emergence of a new institution is a meaningful example of entrepreneurship (Greenwood & Suddaby, 2006). The institutional entrepreneurs help to give rise to the new institution (Maguire, Hardy & Lawrence, 2004).

Ongoing social construction produces a range of contradictions, stimulating tensions and conflicts which may shape consciousness and action to change the present order. This chapter saw institutional contradictions of legitimacy that undermined efficiency, non-adaptability contradictions and interinstitutional incompatibilities (Seo & Creed, 2002) as driving or constraining changes at FPTL. Stemming from institutional inconsistencies, institutional entrepreneurs such as the Board of Directors and the top-level management team infused commercial values which paved the way to contradiction within the organisation

and created some resistance (see Beckert, 1999). In the early years of corporatisation, there was a lack of progress towards commercial business routines because of conflicts (institutional contradictions) between the public sector ethos and the emerging commercial business norms.

Gradually resistance was overcome. The process of enactment, reproduction and routinisation of new institution has been advocated by Barley and Tolbert (1997) and Burns and Scapens (2000). The notion of agency/interest has been brought to institutional theory literature by considering Seo and Creed's (2002) institutional contradiction and Beckert's (1999) model of interest and institutions which partially resembles Giddens' (1979), Barley and Tolbert's (1997) and Burns and Scapens' (2000) models of duality of agency/ structure relationships of institutionalization at the micro level.

The previous literature highlighted that organizational participants have generally perceived accounting change as occurring on an ongoing basis with little resistance (Zilber, 2002; Soin et al., 2002; Busco et al., 2006). However, the fact that change at FPTL took a few years could be attributed to cultural and political influences specific to Fiji, an example of non-adaptability contradiction. The localized idiosyncratic sociopolitical influences have been acknowledged as important influences on the outcomes of attempts to effect change. The cultural and political influences were pivotal in the resistance to the change process in a developing country context. Such influences may not be so pertinent in Western industrialized societies. Following the discussion of the new public sector environment and resistance at FPTL, the next chapter analyses the role of accounting in the corporatisation and privatization of TFL.

Chapter 8.0: The Role of Accounting in the Corporatisation and Privatization of TFL

8.1.0 Introduction

In chapter 7, new public management and resistance to change were discussed. The chapter encompassed P&T's corporatisation and some political and cultural idiosyncrasies of Fiji that affected the pathway of change. The chapter examined how the new management teams, together with the board of directors, were instrumental in shaping institutionalized commercial business practice with input from consultants.

This chapter discusses the role of MACS in the corporatisation and privatization of TFL. The accounting changes are examined from the extra-organizational and organisational levels. From the extra-organisational perspective, the chapter examines the external forces that influenced the accounting system. Pallot (1998) argues that accounting and accountants can affect the pattern of relationships, including structures of power and accountability within organizations and in society at large. The new accounting procedures that were introduced included accrual accounting, budgeting/ planning and investment appraisals.

The reforms at TFL laid the conceptual groundwork for subsequent changes in other government sectors as TFL was the forerunner in the Fiji government's reform program, being the first state-owned enterprise to be privatized. TFL's corporatization is the largest in terms of market capitalization in Fiji. It is listed on the South Pacific Stock Exchange through its parent company of Amalgamated Telecom Holdings Limited (ATH), and its market capitalization is F\$426,325,917 (South Pacific Stock Exchange, 2007). A massive organizational structural and accounting change occurred as FPTL was corporatised and privatized. This chapter focuses on the role of accounting and accountants as institutional entrepreneurs in facilitating changes at TFL. In doing so, the chapter also examines the external forces that influenced the accounting system. The next section outlines the historical circumstances of the valuation process of TFL through an overseas-based consultant hired by the Fiji government.

8.2.0 Accounting and the Valuation Process

This section examines the processes involved in valuing TFL before it was sold to private interests in 1998 as this sets the background to MACS changes. TFL had to be valued before it could be sold to private interests. The Fiji government invited Rothschild consultants to carry out the valuation in order to prepare the company for full privatization from a corporatisation stage. TFL was being prepared for sale to a private investor around 1998. There were some tensions and contradictions within TFL's environment as it was sold to the superannuation fund of Fiji National Provident Fund at an inflated price; a conflict situation was created by the Fiji government through the sale of its telecom holdings. This section examines the valuation from an extra-organisational-level perspective.

The Rothschild consultants amalgamated all telecom companies under the parent company of Amalgamated Telecom Holdings Limited (ATH) to prepare for full privatization and listing on the stock exchange. The ATH subsidiaries included ATH Technology Park Limited, Fiji Directories Limited, TFL, Vodafone Fiji and Fiji International Telecommunications Limited (FINTEL) (see Appendix 1 for ATH's organisation chart). Accounting numbers played a role in the valuation process insofar as past revenues and expenditures were used as a basis for predicting future cash flows. According to Grynberg, Munro and White (2002), Rothschild valuation of ATH was overvalued and used by the Fiji government to sell Telecom Holdings to the country's superannuation fund, Fiji National Provident Fund (FNPF) at F\$253 million (51% ownership). The government appointed board members of FNPF who were instrumental in purchasing the telecommunications sector. Grynberg et al. (2002) claimed that Telecom Holdings was overvalued and Rothschild used figures from a time when the economy was doing well and had not considered the Asian crisis of the late 1990s.

The valuation was based on the assumptions of TFL's continuing monopoly and relied on the financial reports which involved substantial accounting assumptions and policy choices. The sales and purchase negotiations were based on assumptions of NPV calculations; most cash flow predictions were subject to a high level of uncertainty, particularly estimates of future prices and volumes and the choice of discount rates in areas where there were no comparable private

sector returns. It was the Rothschild valuation study that provided the government's selection criteria for a purchaser. The Rothschild consultants estimated that the value of ATH was in the vicinity of US\$350million (Grynberg et al., 2002), a result based on an analysis undertaken in mid-1996. Grynberg et al. (2002) note that:

The Rothschild valuation was undertaken in 1996, using 1995 and 1994 figures. This was when the economy was performing considerably better than in 1998 to 1999, when it was suffering the combined effects of the Asian financial crisis, the National Bank of Fiji collapse and the drought in the cane belt.

(p.120)

Grynberg et al. (2002) argue that the inflated telecom holding valuation was used to recover from the state's National Bank of Fiji crisis where some F\$200 million dollars in loans were lost without adequate credit checks of customers. Grynberg et al. (2002) claim that most of the loans were given to political supporters of Rabuka's party (the then Prime Minister). The Fiji government guaranteed depositors' money in this bank: that is, if the bank became insolvent then the government could be called to repay depositors' money, possibly through income collected from tax payers. The general public felt that TFL's sales were mainly to rescue the National Bank of Fiji from the brink of bankruptcy.

The accounting assumptions employed in the Rothschild analysis relied on the experiences of 1994 and 1995 when there had been a 10 per cent growth in working lines in the FPTL; this growth was then extrapolated forward to 2010. Grynberg et al. (2002) note that in 1999 Rothschild projected the number of working lines to be approximately 96,000 while the actual figure was 72,000. This gave rise to overvalued telecommunications holdings out of which 51% was sold to the superannuation fund of FNPF to recover the almost collapsed National Bank of Fiji from crisis. Grynberg et al. (2002) question the role of Lionel Yee who served a dual role: he was the chairman of TFL board as well as the CEO of FNPF. They (Grynberg et al. (2002)) suspect that Yee had a conflict of interest for the ATH sale transaction that took place when he (Yee) led both organizations. Yee was an eminent advisor to the Fiji government on government finances for a long time.

There was a general public perception that FNPF had made a misjudgment in purchasing 51 percent stake in ATH (Islands Business, 1999, p.44). The other two bids were from Cable and Wireless (F\$60 million) and France Telecom (F\$70m). The sale delighted Fiji's then Finance Minister who was quoted in the Islands Business Magazine as saying:

This sale is a gift made in Heaven. We will show a surplus this year of about F\$150 million which is about five percent of our Gross Domestic Product.

(1999, p.44).

The Islands Business Magazine reports that, according to the 1999 budget documents, the Fiji government had expected under F\$100 million from the sale. The Finance Minister, however, made it public that the FNPF bid was what the financial consultants, Rothschild, had estimated its telecom assets to be worth. The next section outlines the external coercive pressures on TFL actors to absorb commercial business routines.

8.2.1 External Coercive Pressure on TFL actors

The superannuation fund of Fiji National Provident Fund (FNPF) owns 58.2% of Amalgamated Telecom Holdings Limited (ATH). For this reason, Fiji National Provident Fund has the power to nominate the majority of ATH's directors. The FNPF has been returning 6 percent annual return on the pension funds. The fund places immense pressure on ATH to perform in terms of improved profitability so that the fund can give a better return to its members. Consequently, the ATH has been placing pressure on TFL members for optimum performance in terms of commercial results (return on investment and profitability ratios).

As for accounting practices, generally accepted accounting practices were followed by ATH accountants on drawing up the group accounts. The ATH subsidiaries include TFL, FINTEL, ATH Technology Park and Fiji Directories Limited. The accounts were prepared by the Finance division in accordance with Fiji accounting standards, and the accounting practices are gradually moving towards the international accounting standards during the period of the study. The accounts were externally audited by the international accounting firm of

PricewaterhouseCoopers. Since 1998, an annual report has been released by ATH management which shows consolidated group results for all subsidiaries. Prior to that, TFL management used to release TFL's annual report only. However, now ATH group releases the annual report and covers activities of TFL on a couple of pages.

The parent company's (ATH) management also expects its subsidiaries (TFL, Connect, Transtel, Xceed, Vodafone, Fiji Directories, ATH Technology Park Limited and FINTEL) to prepare accounts on a quarterly basis on Excel spreadsheets. ATH members use accounting software known as Consolidated Reporting Package to construct accounts. ATH's management is a source of coercive pressure on TFL actors. For example, a company secretary of ATH mentioned:

We control TFL's board. We appoint members of TFL board. All TFL board members are our nominees. We also expect monthly reports in areas such as finance, competitors, customers, marketing, industrial relations and staff matters.

(Interview with CSATH, 20 January, 2006).

The monthly reports are around six pages in length and submitted on a monthly basis to ATH management; that indirectly summarise the progress of TFL actors' performance under the above subheadings.

Further to that, the South Pacific Stock Exchange requires half yearly reporting from ATH management. A company accountant in 2005 stated: "we're working on our results on a quarterly basis. Six months' unaudited accounts are prepared and given to South Pacific Stock Exchange."

Actual versus budgetary results are also compared by the subsidiaries of the parent company. A new accounting was developed, based on external financial accountability, with the intention of giving the right to the parent company to hold TFL staff to account for their work performance. Although the coercive pressure began to be felt from 1998 onwards, internally accountants had already commenced the work required to facilitate corporatization and privatization, which demonstrated their proactive approach. The next section outlines the accounting and organizational changes at FPTL.

8.3.0 Accounting and Organisational Change at FPTL and the Fijian Culture.

This section examines changes in accounting and organisation at FPTL as a consequence of the Fiji government's public sector reform policies. While activity at the policy level concerned the legislative framework (like the Posts & Telecommunications Decree discussed in chapter 6), at the organizational level activity concentrated on restructuring and establishing commercial accounting systems. Accounting change was seen by some interviewees to have facilitated organizational change by changing perceptions of TFL management and employees. The changes were quickly embraced owing to the cultural pattern of Fijians.

The Fijian culture reflects silence which has been used by management in order to introduce MACS changes. The culture reflects a strong communal society where the support structures inherent in the communal lifestyle typify Hofstede's (1980) cultural characteristics of "femininity." Chand and White (2006) point out that the femininity of Fijian culture is reinforced by Christian church, which plays a significant role in Fijian society. Village society exhibits a rigid hierarchy. The culture through its religious values and hierarchical system reflects the cultural attributes of uncertainty avoidance and strong power distance. Both Fijian and Indo-Fijian culture appreciates silence. The Fijian will not normally speak up against their superiors or chiefs and readily accept their wishes. The Finance Managers and CEOs are normally perceived as people who carry authority like the chiefs and will not normally be questioned for their actions. The silent culture of organizational actors has been used by management to introduce new accounting technologies which received little resistance. Both Indo-Fijian and Fijian culture exhibit uncertainty avoidance (Chand & White, 2006). Due to the cultural pattern of employees, the power distance between management and workers is prevalent within TFL.

The MACS changes eventuated with changes driven by institutional entrepreneurs of CEO and accountants. The annual reports grew in size after corporatisation. Prior to corporatisation, annual reports were about 17-20 pages, covering a report from the Postmaster-General who was the head of FPTL, and a few appendices including net revenue, capital expenditure and postal services statistics and

staffing details within FPTL. After corporatisation, the annual reports were around 40-50 pages and covered the chairman's report, the CEO's report, information on the board of directors, and audited financial statements including income statement, balance sheet, cash flow statement, notes to accounts and statement of changes in equity.

The old accounting procedures in pre-corporatisation days were cash-based. There was an absence of a balance sheet. A Post and Telecommunications Trust account was operated in which all receipts from the postal and telecommunication services were credited and from which all expenditures, both of a recurrent and capital nature, were paid. The money was paid into the Trust account and the Permanent Secretary was empowered to apply any of the monies standing to credit of the Trust account in payment of all expenditure properly incurred in the exercise of the powers and carrying the functions of P&T. The accounts were audited by the Auditor General and presented in parliament.

In pre-corporatisation days, the accounting efforts struggled under a predominantly manual system which was primitive in areas like customer billing, and purchase and job costing. A regional manager recalled:

Before, anything to do with subscribers was done manually. It was very difficult then to sort out the problems of customers.

(Interview with RMT, 19 January 2005).

According to a finance manager, responsibility for financial matters was not explicitly identified with cost centres or individuals. Information was not available when needed. An accountant recalled:

Some information then was not available without a great deal of research. The data may be stored elsewhere.

(Interview with ACT4, 19 January 2005).

Traditionally, FPTL operated in the name of public service rather than the economic, and the overriding concern of engineers was with physical production rather than making profit. However, previously taken-for-granted assumptions had been questioned, and changes put into motion (Seo & Creed, 2002). The corporatization challenged the traditional social welfare values, and the reforms introduced new ways of interactions. After corporatisation, a consultant was hired by the board of directors, in search of commercial business routines, to switch to commercial accounting practices (accrual accounting). He was seconded from the

Australian Telecommunications Commission and advised on the establishment of a commercial accounting system for FPTL (FPTL annual report, 1990). The consultant also took on similar assignments for Telecommunications in Malaysia (FPTL annual report, 1990). The consultant spent a year at FPTL overseeing the preparation of the FPTL accounts. Staff from the Finance Strategic Business Unit were also involved in setting up the new accounting system.

The FPTL annual report (1990) noted that:

Despite the work involved in changing to a new system and the inevitable problems and difficulties which were encountered, the staff have generally responded well to the new requirements. The new system marks a major step forward in enabling FPTL to conduct its business in more meaningful and purposeful ways.

(p.2).

After corporatisation, the consultant and the Finance team separated the accounts from the government accounting system and then prepared and presented the accounts in accordance with commercial accounting practices and the Fiji Companies Act 1983. FPTL's annual report (1990) stated that "the new system provides for classification of departmental costs in terms of clearly defined areas of responsibility and functional activities" (p.2).

An accountant commented:

After corporatisation, workers began to realize they needed the information to manage resources. Our accounting system was computerized. The ultimate aim for TFL employees was to reduce cost and increase revenue so that net profit is maximized and shareholders are satisfied.

(Interview with ACT1, 20 January 2006).

Before corporatisation, profits were not the end of TFL agents and played no part in making sense of daily activity. There was no need for management accountants in the production and reproduction of the systems. After corporatisation, TFL was to operate as a successful business and maximize shareholder value. Activities were to be accounted for and justified in economic and commercial terms, rather than in terms of physical production. TFL staff used the Integrated Customer Management System for customer care and billing; Sunsystems Financials (comprising Sun Account and Sun Business) were used for accounting purposes. The TFL annual report (1997) noted that efforts to control costs and secure value for money continued at TFL.

The TFL annual report (1997) noted that three managers had completed their Master's degree in accounting and business programmes from Australia. The employment of new blood allowed for radical changes to existing commercial accounting practices. There was a demand for accounting information to be used in decision making and so the accountants' role became important.

As part of the concern over money, the TFL annual report (1997) pointed out that the training of TFL's Procurement Section resulted in savings of F\$100,000 through the preparation of cable tenders in Fiji. This had previously been handled under a commercial arrangement by the Crown Agents in London (TFL annual report, 1997). The TFL annual report (1997) mentions that in terms of debt control in order to boost the revenue base, courtesy calls to customers with overdue accounts were introduced and had positive results in debt control.

As part of cost savings, the accountants also recommended that the TFL training centre be leased out in 1997. The leasing process started for what had become an underutilized and expensive asset to operate (TFL annual report, 1997). The accountants advised the management of the need for a tender process to select the best lessee. Following an evaluation of some eight expressions of interest received, the terms offered by J.O.B.S Fiji/ Central Queensland University were accepted. The annual lease for the land and buildings valued at F\$3.0 million was set at F\$300,000 per annum (TFL annual report, 1997). TFL management also sold 39 vehicles in 2005 and another 19 vehicles later (ATH annual report, 2006). Accounting and Finance played predominant roles, with accountants continuing to provide vital financial decision-making advice to management.

Accountants computed the payback period on capital projects, after privatisation. For example, the service of broadband access to outer islands with resorts required the TFL Finance team members to work out payback periods. As Fiji's economy is heavily reliant on the tourism industry, tourism operators required broadband access to promote and manage their resorts which are located in many small islands. For this; 'Aprisa Microwave Radio' technology had proved a cost effective and reliable solution. The pay back period calculated by the Finance team members was two years and the project was accepted. The next section

outlines the economic value added and net present value techniques that were introduced for use of capital investment decisions at TFL.

8.3.1 Economic Value Added and Net Present Value in Capital Investment

The shift towards accounting and economic logic in decision making is evidenced by the introduction of net present value and economic value added (EVA) which became important for TFL management and employees after corporatisation. These were introduced by the Finance Division with the help of overseas consultants. A Finance Manager does this calculation which has to accompany requests for most capital. An accountant commented, pointing at the Finance Manager:

This is the man who is specialized in EVA and also does discounted cash flows for the company. All our major projects need to be EVA positive and generate positive net cash flows to go ahead. The Finance Manager and his team are quite active in advising our managers on that.

(Interview with ACT1, 20 January 2006).

An EVA and NPV calculation had to accompany any request for capital and be forecasted for the company over the five year period in TFL's business plan. The TFL Strategic Business Plan (2001- 2006) noted that all capital projects were EVA positive, and that revenue and profitability growth were EVA accretive. EVA indicates whether or not the returns generated exceed the required returns by investors. TFL accountants calculated and forecasted some of the EVAs in their business plan (2001-2006) as shown in table 6.

The positive EVA is meant to show the business is increasing shareholder wealth, an issue that became important to TFL management and employees. Through EVA calculations, the managers and employees raised and promoted changed logic in running TFL as a business. Those projects that did not generate positive EVA were rejected. The EVA computation is complex and difficult and may pose uncertainty. The analysis represented a change in internal accounting operations geared towards the maximization of shareholder value.

Table 6 Economic Value Added

	2001 \$m (forecast)	2002 \$m (forecast)	2003 \$m (forecast)	2004 \$m (forecast)	2005 \$m (forecast)	2006 \$m (forecast)
Net operating profit after tax	27,922	29,488	31,347	36,059	41,576	71,469
Cost of capital @10%	17,758	18,653	19,498	20,336	21,346	20,680
EVA	10,164	10,835	11,849	15,723	20,230	50,789

(TFL Strategic Business Plan, 2001-2006).

The above computations, however, represent residual income and not EVA. However, in doing such calculations, the management demonstrated a change in commercial business logic and made decisions on the basis of such calculations. Capital investment appraisal was carried out on capital projects by the Finance team. For example, around 2002, a capital investment appraisal was carried out for the installation of either 500 phones in free standing booths without walls or 1,000 Telecard public phones in wall-mounted booths. The accountants decided to carry out an EVA analysis for the options. The intention was to replace the old public phones, which required the phone numbers to be manually rotated to make the calls, with new modern phones where the numbers needed to be pressed, making it much easier for the users. Before corporatisation no such EVA analysis had been done by accountants but the phones would just be installed. However, after corporatisation the accountants played a critical role by justifying to the management via financial analysis whether the capital projects were viable and were adding to shareholder value. The analysis as shown in tables 7 and 8 yielded a positive net present value for both projects but was higher for the 1,000 Telecard Public Phones in wall mounted booths. A separate EVA calculation also demonstrated high EVA for the 1,000 Telecard public phones in wall-mounted booths. Hence, the capital investment with 1,000 Telecard public phones in wall-mounted booth was undertaken. Had the analysis shown a higher NPV for the phones in free standing booths without walls, then this would have been undertaken. An accountant commented:

We do NPV calculations on capital projects and only accept those that yield positive NPV. If the NPV is negative, we simply reject those. What matters is the maximization of shareholders' return."

(Interview with ACT2, 20 January, 2006)

The justification for expenditure had to be in terms of financial performance. Proposals for capital expenditure were subjected to discounted cash flow, with project benefits expressed as positive cash flows. The new decision procedures were based on economic and accounting logic rather than physical production criteria. A finance manager commented:

We use a combination of measures such as net present value, internal rate of return, payback and EVA to evaluate capital projects. This was not the case prior to corporatization. Now we need to justify expenditure and tell management what is a sound investment proposal.

(Interview with FM, 20 January 2006).

Here is an example of NPV and EVA calculation used by TFL.

Table 7 Capital Investment Appraisal: Installation of 500 Telecard Public Phones in Free Standing Booths

Investment	2,220,000		Maintenance	32.0%		
STD IRR	16.0%		Admin	87.0%		
NPV	1,500,348		Interest	6.5%		
Achieved IRR	33.77%		Term	5		
Revenue Details						
Public phones	322,500					
Revenue/ month	322,500					
Annual Revenue	3,870,000					
	Yr0	Yr1	Yr2	Yr3	Yr4	Yr5
Profit & Loss						
Revenue		3,870,000	3,870,000	3,870,000	3,870,000	3,870,000
Disposal Proceeds						
Income Stream		<u>3,870,000</u>	<u>3,870,000</u>	<u>3,870,000</u>	<u>3,870,000</u>	<u>3,870,000</u>
Expenses						
Maintenance Cost		710,400	710,400	710,400	710,400	710,400
Admin		1,931,400	1,931,400	1,931,400	1,931,400	1,931,400
Depreciation		444,000	444,000	444,000	444,000	444,000
Total Expenses		<u>3,085,800</u>	<u>3,085,800</u>	<u>3,085,800</u>	<u>3,085,800</u>	<u>3,085,800</u>
NPBT		784,200	784,200	784,200	784,200	784,200
Tax		<u>274,470</u>	<u>274,470</u>	<u>274,470</u>	<u>274,470</u>	<u>274,470</u>
NOPAT		551,796	546,928	537,267	526,959	515,960
Cost of Capital		<u>277,500</u>	<u>227,719</u>	<u>176,200</u>	<u>121,230</u>	<u>62,579</u>
EVA		<u>274,296</u>	319,209	361,067	405,729	453,381
PV (EVA)	1,271,487					
Balance Sheet						
R/Earnings		431,607	872,256	1,330,847	1,808,581	2,548,650
Loan		1,821,755	1,409,600	969,842	500,633	-
Creditors		<u>274,470</u>	<u>274,470</u>	<u>274,470</u>	<u>274,470</u>	<u>274,470</u>
		<u>2,527,832</u>	<u>2,556,326</u>	<u>2,575,159</u>	<u>2,583,684</u>	<u>2,823,120</u>
F/Assets		1,697,877	1,184,796	1,389,657	213,661	-
Cash		<u>829,955</u>	<u>1,371,530</u>	<u>1,185,502</u>	<u>2,370,023</u>	<u>2,823,120</u>
		<u>2,527,832</u>	<u>2,556,326</u>	<u>2,575,159</u>	<u>2,583,684</u>	<u>2,823,120</u>
Cash Flow						
Outlay	(2,220,000)					
Loan	2,220,000	(398,245)	(412,155)	(439,758)	(469,209)	(500,633)
Receipts		3,870,000	3,870,000	3,870,000	3,870,000	3,870,000
Payments		(2,641,800)	(2,641,800)	(2,641,800)	(2,641,800)	(2,641,800)
Tax			(274,470)	(274,470)	(274,470)	(274,470)
Cash Flow		<u>829,955</u>	<u>541,575</u>	<u>513,972</u>	<u>484,521</u>	<u>453,097</u>
IRR Calculation	(2,220,000)	1,108,011	889,517	912,252	932,042	953,158

(Source: TFL Internal Document, 2002)

Table 8 Capital Investment Appraisal: Installation of 1,000 Telecard Public Phones in Wall Mounted (Semi-Outdoor) Booths

Investment	2,570,000		Maintenance	39.0%		
STD IRR	16.0%		Admin	136.0%		
NPV	3,979,761		Interest	6.5%		
Achieved IRR	73.70%		Term	5		
Revenue Details						
Public phones	582,500					
Revenue/ month	582,500					
Annual Revenue	6,990,000					
	Yr0	Yr1	Yr2	Yr3	Yr4	Yr5
Profit & Loss						
Revenue		6,990,000	6,990,000	6,990,000	6,990,000	6,990,000
Disposal Proceeds						
Income Stream		<u>6,990,000</u>	<u>6,990,000</u>	<u>6,990,000</u>	<u>6,990,000</u>	<u>6,990,000</u>
Expenses						
Maintenance Cost		1,002,300	1,002,300	1,002,300	1,002,300	1,002,300
Admin		3,495,200	3,495,200	3,495,200	3,495,200	3,495,200
Depreciation		514,000	514,000	514,000	514,000	514,000
Total Expenses		<u>5,011,500</u>	<u>5,011,500</u>	<u>5,011,500</u>	<u>5,011,500</u>	<u>5,011,500</u>
NPBT		1,978,500	1,978,500	1,978,500	1,978,500	1,978,500
Tax		<u>692,475</u>	<u>692,475</u>	<u>692,475</u>	<u>692,475</u>	<u>692,475</u>
NOPAT		1,334,723	1,329,087	1,317,903	1,305,970	1,293,237
Cost of Capital		<u>321,250</u>	<u>263,621</u>	<u>203,979</u>	<u>140,343</u>	<u>72,445</u>
EVA		<u>1,013,473</u>	1,065,466	1,113,924	1,165,627	1,220,792
PV (EVA)	<u>3,980,625</u>					
Balance Sheet						
R/Earnings		1,195,585	2,481,610	3,767,635	5,053,660	6,339,685
Loan		2,108,969	1,631,835	1,122,746	579,562	-
Creditors		<u>692,475</u>	<u>692,475</u>	<u>692,475</u>	692,475	692,475
Other Payable					500,000	832,915
		<u>3,997,029</u>	<u>4,805,920</u>	<u>5,582,856</u>	<u>6,825,697</u>	<u>7,865,075</u>
F/Assets		2,104,698	759,085	245,085	231,085	-
Cash		<u>1,892,331</u>	<u>4,046,835</u>	<u>5,337,771</u>	<u>6,594,612</u>	<u>7,865,075</u>
		<u>3,997,029</u>	<u>4,805,920</u>	<u>5,582,856</u>	<u>6,825,697</u>	<u>7,865,075</u>
Cash Flow						
Outlay	(2,570,000)					
Loan	2,570,000	(461,031)	(477,134)	(509,089)	(543,184)	(579,562)
Receipts		6,990,000	6,990,000	6,990,000	6,990,000	6,990,000
Payments		(4,636,638)	(4,620,535)	(4,588,580)	(4,554,485)	(4,518,107)
Tax			(643,777)	(649,413)	(660,597)	(672,530)
Cash Flow		<u>1,892,331</u>	<u>1,248,554</u>	<u>1,242,918</u>	<u>1,231,734</u>	<u>1,219,801</u>
IRR Calculation	(2,570,000)	2,353,362	1,725,688	1,752,007	1,774,918	1,799,363

(Source: TFL Internal Document, 2002)

The net present value calculation shown above is flawed as depreciation has been shown as a cash flow but is actually not a cash flow item. However, the managers relied on these calculations for decision making and to promote changed business logic in their thinking. It seems from the rigorous calculation that TFL actors

appeared to be adapting the calculations for more of a window dressing. Although they made decisions on the basis of these accounting calculations, they were flawed as identified above. The next section outlines the restructuring that took place at TFL for financial accountability.

8.3.2 Restructuring of TFL for Financial Accountability

Organisational restructuring at TFL was geared towards decentralization. TFL regional offices emerged in other urban centres of Fiji. Much of the change was brought about through organizational restructuring and change in personnel. The restructuring was supported by changes in accounting systems and the ever-increasing involvement of accountants at all levels in the company. Various divisions were renamed business units to give a more commercial focus for TFL. For example, the Support Service Business Unit consists of Human Resource Management, Material Management, Fleet and Property, and Land Management services that are critical for TFL's business. The Network Engineering Business Unit is a profit centre responsible for the operations of network infrastructure to provide the services that the customers want. The unit provides products and services for the Customer Services Strategic Business Unit (division).

Some five business unit General Managers with commercial expertise were appointed. The skills that business managers brought included marketing, long-term planning, and "bottom line" management. The following interview quotes illustrate the shift towards commercialisation:

Business managers were planning people who had long term goals for TFL.

(Interview with MCR, 19 January 2006).

We were generally weak in business and marketing areas and had to tighten this up.

(Interview with ACT3, 20 January 2006).

A quality manager recalled:

There were new objectives emerging from accountants. These made people think differently. It's all to do with market. The traditional FPTL wasn't that sensitive to market place.

(Interview with QM, 24 January 2006).

New accounts were crafted. Gradually through actions and interactions, the new accounts were part of organizational activities and promoted new business logic. The following interview extracts illustrate this:

All divisions/strategic business units members were reliant on accounting information for decision making.

(Interview with ACT3, 20 January 2006)

Profitability became a common language at TFL and this again was promoted by the accountants in the Finance division.

(Interview with ACT2, 20 January 2006).

The accountants promoted the capping of expenditure after corporatisation. The Chief Executive Officer hired new accountants and encouraged the existing accountants to create new accounting technologies. Accounting terms like 'return on investment' and 'shareholder values' became more important at TFL. A strategic manager described the experience as:

It was a journey of discovery and making progress.

(Interview with SPM, 2 February 2005).

It was when the new Managing Director, Winston Thompson, was appointed that major changes in commercial business routines commenced. According to a human resource manager, unlike the previous managing director who had been employed as a government permanent secretary, the new managing director was much younger, with a business background, and also had been Fiji's ambassador to the UN. At about the same time, Fiji's most eminent financial advisor to government, Lionel Yee, was appointed as the Board chairman. Lionel Yee headed Fiji's superannuation scheme, Fiji National Provident Fund, which handled around F\$2.3 billion in asset management and is a major financial institution in Fiji (FNPF annual report, 2006). A chief operating officer from New Zealand with telecommunication experience and business expertise was hired. Existing jobs and responsibilities were redefined with the help of overseas-based consultants, and new positions were created with considerable recruitment from private sector (and where necessary, from outside Fiji), particularly in the financial and marketing areas and the top management like the chief operating officer's position. The administrative layers were reduced to four and the employees were delegated authority. A financial manager observed how regional office employees could make decisions without resorting to head office so far as they were within the company's policy.

Under the new managing director, TFL underwent restructuring into separate companies, including Transtel (telecard company), Connect Fiji (internet services) and Xceed Pacifica (business telecommunication equipment installation company). In 2005 some 300 people voluntarily took redundancy packages, particularly those at the head office. The trade union emphasized that only those workers should be made redundant who volunteered to take redundancy packages. Hence, no one was forcibly made redundant. Accountants saw cost savings as an imperative aspect of accounting and recommended the redundancy programme. It was envisaged by the accountants that while in the short-term redundancies would be a major cost for the organization, in the long term this would yield substantial cost savings in terms of reduced salary expenses. The appointment of a general manager, Finance Business Unit, signaled the importance placed on accounting effort. The establishment of a new accounting system was critical in changing the organizational culture. In meetings, the employees also began to talk of accounting measures such as profitability and return on investment, thus depicting the routinisation of internal accounting practices. Some of the performance indicators reported after the reform were lines per employee, revenue per employee (\$) and revenue per line (\$). In 2000, the lines per employee was 61, revenue per employee was \$125,751 and revenue per line was F\$1,063 (ATH annual report, 2001). This eventually improved over the years. For example, in 2006, the lines per employee was 114, revenue per employee was \$147,495 while revenue per line was \$1,292 (ATH annual report, 2006). The Commerce Commission also reduced the tariff charges in 2005, thus impacting on the company revenue.

New performance measures set by CEO and management team involved a wide range of performance indicators covering quality, human resources, operational and financial matters. The employees were assessed by their superiors on a quarterly basis on indicators such as customer service focus, business/financial focus, professional attribute/interpersonal relationship, managing change and job expertise, and were assessed out of a total weighting of 100%. Those getting 70% and above were entitled to a quarterly bonus (see Appendix 8 for performance measurement forms). A finance manager claimed:

These performance indicators were developed to make TFL employees more customer focused and quality driven.

(Interview with FM, 18 February 2004).

Apart from the performance indicators, the financial ratios of liquidity, profitability and financial structure ratios became important for TFL management. TFL's balance sheet showed strengthening results over the years. Return on assets, for example, averaged 12% from 2001 to 2006 while return on shareholders' fund improved from 17.5% in 2000 to 39% in 2006 (ATH annual report, 2006).

The general manager of the Finance Business Unit built a new accounting system with the help of overseas consultants. Each subsidiary had its own separate accounting system with a separate balance sheet and income statement. The independence allowed each company to review its own financial performance. The subsidiary company's reports were then consolidated into TFL's report, which was subsequently consolidated into the parent company, ATH's annual report. An accountant commented:

The game changed towards effectiveness. Previously we were slack on cost- could use whatever was given to us. And now the whole performance culture has changed. We are continually working towards the performance targets in terms of profit to be achieved and return on investment.

(Interview with ACT3, 18 February 2004).

The key business assumptions needed reorienting towards customers and cost-efficiency issues- a revolutionary change (Burns & Scapens, 2000). Certain groups and individuals, including Finance Strategic Business Unit teams, became central to the process through which new ways could be carved out and eventually become generally accepted and adopted (Burns & Baldvinsdottir, 2005). For example, in meetings managers examined subsidiary accounts in terms of the "bottom line" of subsidiaries. As the managers' purpose at TFL was to make profit, the significance of customers was revenues. Another accountant commented:

Finance played a vital role in supporting telecommunication activities.

(Interview with ACT1, 11 January, 2006).

The finance manager saw his role as, "equipping and advising management with necessary information so that they could do their jobs" (Interview, 19 January, 2005), and created the concept of divisional management accountants for each strategic business unit. The management accountants were responsible directly to the strategic business unit (divisional) managers. As accountants and accounting

became a day-to-day part of organizational practices, the conditions for altering to commercial business routines for management and employees were set in place. The finance manager described how the divisional managers were beginning to rely on management accountants for accounting information in their day-to-day managerial duties. A system of “accounting buddies” (e.g., Lapsley & Pallot, 2000, p.225) was introduced whereby each operational unit had a person from accounting services assigned to it. This person provided ongoing advice on financial matters and formed part of any project team. A management accountant commented:

The divisional managers now realize they need information to manage resources. Divisional managers feel their understanding of accounting numbers is useful in running a business.

(Interview with ACT1, 17 January, 2006).

A divisional manager commented about the management accountant:

He gives me encouragement in my business, and helps me to make business decision. He is my adviser. He makes a valuable contribution to the running of my strategic business unit.

(Interview with MCR, 19 January 2006).

The accountants encouraged and assisted operation managers to think about the financial implications of any local decisions. The business managers valued their relationships with accountants and vice-versa. Previously, the accounting function had been centralized and removed from day-to-day operations; they were housed in a separate block. The function was now decentralized and situated in the operational field. The finance manager expected the accountants to pass on their accounting routines and know-how through training and day-to-day interactions.

A manager commented:

We’re indeed an engineering company. But engineers in government days had little understanding of what they were doing in terms of bottom line. The engineers now know what a “bottom line” actually is and can respond to it.

(Interview with NMQ, 25 February 2004).

The planning activities began to symbolize the search for profit maximising opportunities. A strategic manager commented:

We and the management team got control of the planning process. We have the responsibility for planning and budgeting. That has become our power base.

(Interview with SPM, 2 February 2005).

The accountants were institutional entrepreneurs at TFL driving support and power from management and CEO. The accountants were proactive in destroying the old institution of public service rules and routines and introducing new accounting logic of EVA, NPV and payback calculations which aided managers in planning and decision making. The next section discusses the role of the business plan at TFL.

8.3.3 Business Plan at TFL

This section examines the role of the business plan which is part of MACS at TFL and how accountants and management contributed to planning. TFL had a 5 year business plan, as evidenced by a strategic manager:

We have a business plan which company accountants were helpful in putting in place and everything may need to be achieved in accordance to the plan. We have specific profit targets on the plan which we are striving towards. The targets include connection of lines, service restoration, revenue level, expected profits and so on.

(Interview with SPM, 20 January 2006).

The management and workers were expected to work towards the business plan. The business plan was developed with the assistance of Telecom New Zealand consultants. The steering committee at TFL was made up of key managers and accountants who helped to develop the business plan. The plan focused on the aims of meeting customers' expectations and cost reduction. The key goals for five years were:

1. Financial- achieve revenue, profit targets which were in terms of return on investment of 12.5% and debt to equity ratio
2. Development- add at least 8,000 lines per year and increase telephone penetration to about 35 per 100 population
3. Reliable delivery of quality service on time, in full, every time, and
4. Be easy to do business with.

(TFL Strategic Business Plan, 2001-2006, p.10).

The business plan was a bulky document, intended to inform the management of the expected targets. It established new performance targets and benchmarks by which business decisions and actions would be judged and perceived and formed part of MACS. The steering committee decided to publicise the plan throughout

the organization, down to the operational staff. Business plan pamphlets were distributed to staff while seminars were also held to spread corporate awareness and develop new knowledge of the plan. The business plan was helpful in establishing new ways of thinking, as well as helping to dismantle old taken-for-granted public service assumptions. A manager commented:

With the implementation of the business plan, some of us now aim to finish work even if it is after 5:00p.m. This was not the case when we were with the government; we might leave it for the next working day. But now completion of work has become important for us.

(Interview with RMN, 11 January 2006).

A strategic manager claimed that “the business plan drove everything at TFL.” According to a manager, business processes were aligned to the business plan. So, the business plan was a new rule that embodied the intended new ethos of the business, and to which other organizational phenomena (systems, structure, practices, etc) should be aligned (see Burns & Baldvinsdotir, 2005).

The Finance Strategic Business Unit employees played a significant role at TFL and advised management on financial decisions, in terms of cost reduction and undertaking projects that yielded positive net present values and EVA. In these contexts, the Finance division employees recast dialogue from telecommunication language and engineering into their business language of markets and profitability. The establishment of new accounting systems had been vital in changing organizational routines from a centralized bureaucratic one to a decentralized management one and in shaping new roles so that meaningful budgets and performance reports could be established. Through business planning, the accountants, public relations personnel, marketing managers and customer service managers increased their power relative to engineers.

The whole management team was bound up in the creation of the business routine. The management and the finance teams, including a steering committee, were the institutional entrepreneurs of the change. Seminars were conducted for the various operation managers by Finance, consisting of financial awareness programme aimed at such topics as budget setting, budget management, capital expenditure and cost reductions. A finance manager described this as a “skill transfer.”

What we have been doing is a skill transfer- providing knowledge to operation managers on decision making based on financial information. And we showed them financial information and said this is how you use it.

(Interview with FM, 20 January 2006)

The finance team attended team meetings to contribute to business decisions that previously would not have concerned them. The operation managers appeared to embrace such interactions and relationships with the Finance team. A strategic manager commented:

Accountants are now more integrated into the business. They're more proactive and help us. We often ask them to help us focus on what is needed for improvement.

(Interview with SPM, 20 January 2006).

Through the integration of accountants, thrift and concern for money became institutionalized and taken-for-granted by TFL members. Accountants, as institutional entrepreneurs, continually advised the managers of Strategic Business Units of sound business practices, becoming powerful actors within TFL and well respected. The business practices became new routine for TFL actors. The next section examines the privatization of TFL.

8.3.4 Accounting and Privatization at TFL

The corporatisation phase of FPTL facilitated the privatization of TFL by allowing TFL employees to assimilate commercial business routines. TFL management had recorded improved profit over the years, from F\$28 million in 2000 to F\$42 million in 2004. There had been a decline of profit in 2005 to F\$16 million owing to redundancy payments made to about 300 workers and the regulator, the Commerce Commission, which reduced tariff charges. The workers' redundancies were made possible through a locally hired consultant who took up the position of managing director at TFL in 2005. There was an increasing pressure from the unions that only the workers who opted for redundancies be made redundant. The management adhered to this proposal and laid off only workers who voluntarily accepted a redundancy package.

Price hikes by the monopoly had to be regulated by the Commerce Commission to prevent exploitation of customers by TFL. The Commerce Commission ensured that the price hikes were reasonable for the monopoly to achieve adequate return on investment on their assets. For example, in 2004 TFL management wanted an

increase in prices for telecom services. However, as discussed previously, the Commerce Commission regulates the prices for state monopolies, and called for public submissions on Telecom's stipulated price increases. Submissions from the public, which are contained in a public register at the Commerce Commissions office in Suva included such statements as:

Telecom has not reduced their overall rates including domestic.

We can't afford high charges as TFL provides inefficient services and is a monopoly.

People in lower categories make fewer phone calls. Price rental is too high in the tariff repackaging plan submitted by TFL.

I strongly support the view that the current monopoly restricts competition.

We don't earn good incomes and many of our relatives (sons and daughters) don't have employment and therefore can't afford higher telecom charges.

In general the public submission highlighted concerns such as high call charges for local, long distance and international fixed line services. The Commerce Commission members used the public submissions to reduce charges, while ensuring that TFL earned a reasonable return on their capital. This action was discussed with the Telecom stakeholders. The inter-region call rates were reduced from \$0.4276 per minute to \$0.2050 per minute and the line rental charges were increased from F\$2.84 to F\$12 per month. TFL management had wanted a monthly line rental increase to about F\$35, as the line rental was cheaper in Fiji than in neighboring countries (see Appendix 9).

Despite the intervention of the Commerce Commission, TFL continued to show increases in profits from 2006 onwards. For example, in 2006 TFL made a profit of F\$24.6 million (ATH annual report, 2007). The profit, however, was lower than the 2004 financial year's. The company's chairman reported increased profit in 2006 to the media in this way:

TFL made gains from an approved increase in line rentals, and a diversification in its revenue away from a reliance on a traditional fixed line call charge.

(Fiji Live, 27 July 2007).

TFL management diversified into satellite phones such as EasyTel which was an avenue for increased revenue (ATH annual report, 2005).

In terms of improved efficiency and financial performance, accounting played a technical role in providing the information that enabled better cost control, cash management, accounts receivable projects and fixed assets. Annual reports show that there had been reductions in operating costs and an increase in revenue and profitability, except for 2005 where some 300 workers received large redundancy payment which increased costs and reduced profit. Also in 2005, the Commerce Commission’s directive on reduced telecom charges impacted on the revenue. Table 9 summarises the results of TFL’s performance from 2001 to 2006.

Table 9 TFL’s Performance over 2001 to 2006

Year	2001	2002	2003	2004	2005	2006
Net profit (000)	25,400	28,000	37,360	42,000	16,000	32,000
Revenue (000)	149,500	145,000	152,934	130,000	131,950	133,053
Costs (000)	124,100	117,000	115,574	88,000	115,950	101,053

(ATH annual report: 2000-2006).

In 2001 TFL posted a F\$25.4 million after tax profit. ATH’s annual report (2001, p.14) reported that “on an annual basis it is a 16.9% improvement over the previous period. Total revenue was a record for any 12 month period of F\$149.5 million and exceeded budget of F\$148.7 million.” In 2002 profit after tax increased and cost was reduced. However, there was some reduction in revenue and this was attributed by management to the effects of the May 2000 coup. The ATH annual report (2002) stated that “the residual effects of the events of May 2000 were still affecting the company, particularly during first quarter” (p.18). The next year, 2003, saw an improvement in profit which the ATH annual report (2003) noted had exceeded the targeted profit by 2.2 percent. Expenses were also reduced and revenues increased due to an enhanced marketing plan under which some discounts were offered to customers on telephone calls made. There was an increase in working lines to 99,100 and the telephone penetration rate increased to 12.1 per 100 population for the year, which was an increase from 11.7 per 100 population in 2002 (ATH annual report, 2003, p.19).

In 2004, TFL managers and employees recorded an increase in net profit. There was a drop in the revenue due to the separation of Xceed Pasifika Limited and Transtel Limited. Transtel Limited employees were given responsibility for prepaid telephony business and public phone installation programme. Xceed Pacifica was a wholly owned subsidiary of TFL and took over equipment and distribution rights, customer premises equipment and customer premises cabling (ATH annual report, 2004). The number of working lines increased to 101,283 from 99,100 in 2003. Telephone penetration rate also increased to 12.3 per 100 population from 12.1 per 100 in 2003 (ATH annual report, 2004).

In 2005 financial performance was impacted by an increase in expenses. TFL management also recognized restructuring costs (in particular liabilities for redundancy payments) as early as possible. The Commerce Commission's price determination also partially weakened the company's profitability position. While the redundancy package was in accordance with the accounting principles of prudence, it also had the advantage of making performance in subsequent years look good. However, ATH's annual report (2006) noted that sales revenue was stable but expenses were reduced by a significant margin during the year. Consequently, net profit for the year almost doubled from the 2005 result.

The privatization of TFL brought pressure for TFL participants to improve the accounting system. A manager commented:

With the help of accountants, we have developed a corporate culture-the aim is towards enhancing profit for the company and growing share value.
(Interview with SPM, 18 February 2004)

Accountants were proactive in the organizational change, and promoted accounting logic within the organization.

There had been a general call for TFL members to improve revenue and profitability so that the shareholder value is maximized. Accounting and accountants routinised commercial business norms in terms of profitability and finance at TFL. Under a business mentality, telecommunication products and services were regarded as just another economic commodity. A new language of business and economics has become predominant and routinised at TFL. The next section provides a summary of the chapter.

8.4.0 Discussion/ Summary

This chapter has covered a range of issues surrounding the role of MACS and accountants in privatization, the introduction of a technical calculus and new power structures within TFL. The way in which reforms were introduced by the Fiji government to achieve efficiencies was to establish telecommunications as a profit-seeking corporation. A number of accountants were hired from the private sector and these people expressed a new ideology. The influx of technical accountants accompanied a new set of rules and routines. The introduction of business concepts such as strategic planning, EVA, NPV and ROI were aimed at changing the traditional culture of public service at TFL.

The accounting system changed from cash-basis to accrual accounting. The emergent change to accrual accounting and computerized based accounting system evolved from the recognition of interinstitutional contradiction (Seo & Creed, 2002) by key (change) agents and by questioning the previously taken-for-granted routines based on physical production. A great deal was demanded from the subsidiary (TFL) by the parent company, ATH, in terms of reporting the results of subsidiaries. TFL subsidiaries accounts were consolidated into TFL accounts which subsequently were consolidated into ATH's accounts. ATH members use accounting software known as the Consolidated Reporting Package to construct and consolidate the accounts of subsidiaries. On the advice of World Bank, stakeholders of the government created a conflicting situation, thus creating interinstitutional contradictions. A logic of commercial business routines was followed which accountants promoted. The finance division continually advised managers on financial decision making. The managers relied on accounting information for decision making, and so the management accountants' role became central to TFL's operations.

Apart from the accountants from TFL, ATH management also appointed TFL Board members and expected monthly reports from TFL in areas such as finance, competitors, customers, marketing, industrial relations and staff matters. Also the South Pacific Stock Exchange listing conditions required better financial information from ATH. The converging response to commercial accounting practice emerges from the search for legitimacy (social fitness) and efficiency

(economic fitness) (Granlund & Lukka, 1998). Granlund and Lukka (1998) argue that it is common for the headquarters' members to force its subsidiaries to adopt reporting systems similar to those used in the headquarters/parent company.

There were to be new rules and routines of behaviour. Activities were to be accounted by TFL members in economic and commercial terms instead of in terms of physical production while decisions about telecommunication services were colonized by accounting practices, including EVA and NPV calculations of the capital replacement decisions. Institutional entrepreneurs in the form of the Finance Strategic Business Unit team and accountants, including the steering committee, were involved in crafting new commercial business accounting. The steering committee was instrumental in implementing the business plan. The emergent changes in commercial business routines evolved within TFL. Accounting changes emerged with the help of consultants and a management team comprised mainly of Finance division management and other senior managers. The new accounting techniques helped change people's perceptions. For example, the concept of assets in the commercial sector is based on the assumption of private property which could be sold in the market place.

The changes after corporatisation were deemed by the Fiji government, TFL management and the board to have brought about efficiency and effectiveness in the recording process. The accounting change shaped people's perceptions of running TFL as a successful business. Telephone subscribers were referred to as customers, and seen as a source of revenue. Cost-cutting and efficiency allowed the revenue source to become sources of profit. A consultant was hired to install and train employees with new commercial accounting system. Over time, MACS practices were followed.

The accountants acted as institutional entrepreneurs, working within existing (though evolving) institutional arrangements, and pursued the fulfillment of needs of managers to make financial decisions. The management accountants in each of the strategic business units were closer to operation managers. The management team and many accountants hired were instrumental in enacting and routinising new accounting techniques at TFL. Eventually, the new accounting routines in the form of commercial accounting and computerized systems were reproduced

and routinised by TFL actors. Apart from the head office, the computerized accounting system was tried out at the regional centres as well and was eventually adopted by TFL participants.

The changes in accounting systems at TFL have been constantly evolving. Currently, the accounts are prepared using generally accepted accounting principals and the Fiji accounting standards. The TFL Finance team made adequate progress towards switching to International Accounting Standards in the construction of accounting information at TFL. Following a discussion of the role of accounting in the corporatisation and privatization of TFL in this chapter, the next chapter examines the introduction and routinisation of the managerial technique of Total Quality Management practice (TQM) at TFL.

Chapter 9.0: Routinisation of TQM practices within TFL

9.1.0 Introduction

In chapter 8, the role of accounting in the corporatisation and privatization of TFL was discussed. The accountants were proactive, working within existing institutional arrangements and then gradually changing them to fulfill the needs of management to make financial decisions.

This chapter draws on concepts from institutional theory (Barley & Tolbert, 1997; Beckert, 1999; Burns & Scapens, 2000; Seo & Creed, 2002; Dorado, 2005) to analyse MACS changes surrounding TQM practice implementation and the subsequent institutionalization by organizational members within TFL. TQM is related to MACS in that incentive pay, for example, can have an impact on TQM practices on customer and quality performance (Sim & Killough, 1998). Chenhall (2003) notes that TQM practice is associated with MACS including timely externally focused information and close interaction between strategy and non-financial performance measurement. TFL employees were granted quarterly bonuses on achievement of TQM related targets such as customer satisfaction. The introduction of TQM routines within the organization is part of a process used to enact and add authority to broader MACS changes within TFL. The next few sections outline the narrative in relation to institutional theory.

9.2.0 Institutional Contradiction

This section outlines the institutional contradictions that were persistent at TFL and triggered TQM practice implementation. There was a contradiction of technical inefficiency. The civil service routines and commercial business routines operated side by side for a number of years. With the co-existence of civil service routines, there was a concern amongst management about a lack of operational efficiency within TFL. Despite privatization, TFL management and employees remained the monopoly supplier of telephone services to Fiji citizens. TFL management and employees acted to legitimize business operations but at the same time did not appear to legitimate or absorb the importance to the privatized

organization of customers' interests. A failure to adjust to this new environment provides evidence of institutional contradiction/ inconsistency in the lack of adaptability (Seo & Creed, 2002). As TFL employees were so embedded within public service norms, attempts to change to TQM routines were often resisted by the employees. Powell (1991) argues that efforts to change actors shared expectations are often resisted as "they threaten individuals' sense of security and disrupt routines" (p.194).

The Fiji government's public sector reform policy produced a source of inconsistency in TFL participants' interactions. Throughout the reform process, the organizational participants were encouraged to operate as if running a successful business. However, they were slow and inconsistent in adopting a customer focus. An institutional crisis was created in Fiji with the sudden change in government regulation in terms of public sector reform. The reform policy appeared to be the consequence of interinstitutional incompatibilities unfolding in the larger institutional environment (see Seo & Creed, 2002). The Fiji government was influenced by the donor agencies of the World Bank and the Asian Development Bank to introduce neo-liberal policies in public sector reforms. The TFL was one of the forerunners of this reform and the first public sector organization to be fully privatized.

Because people were so used to civil service routines, in the early stages of corporatization it was difficult for them to embrace commercial business routines. As some delays were experienced in organizational members adapting to commercial routines, TQM practices were considered by management and the board of directors to be an important innovation tool. There are performance indicators such as customer satisfaction, delivery of services centred around TQM practices which have an impact on actors' commitment to TQM practices. TQM practice could possibly make TFL employees more customer-conscious and improve both their efficiency and effectiveness.

Interviewees provided some rationale for the introduction of TQM practices and the existence of contradictions within the organisation. The following interview quotes illustrate this:

The civil service culture was quite common at TFL and there was a lack of customer focus. Attempts to introduce business norms prior to TQM received strong resistance from management and workers.

(Interview with CE, 18 February, 2004).

There were a lot of customer complaints about our services which created some concern for our performance.

(Interview with NMQ, 25 February, 2004).

Previously we were a government department-we provide, you buy. We were the only supplier of telephones. The customer choice is taken as second level. Our first approach was: this is what we have and this is what you have to buy because we're the only supplier of telephones. For example, if we have the black phone, this is what the customers will have to take. There wasn't much choice- no choice given to customers at all.

(Interview with QM, 25 February 2004).

The above interview evidence suggests a contradiction of technical inefficiency in that customer consciousness was lacking in the employees from the government department days. One of the possible reasons for this lack of customer focus was the absence of a TQM practice program. The Fijian culture which appreciates silence also played a role in the TQM implementation process. The management could use the culture to encourage workers to adopt TQM routines. This is discussed in turn.

9.2.1 Management commitment to TQM routines and the Fijian culture

This section examines management commitment to TQM practices and how Fijian culture was used by management to encourage the implementation of TQM routines. In order for TQM routines to be enacted and reproduced, there needs to be a commitment from top management (Laszlo, 1999). However, Naqova, the then Managing Director who initiated the TQM program, passed away in a fire accident in the late 1990s and a replacement Managing Director, Winston Thompson, was hired. Thompson was well known for his financial skills and had occupied some senior positions in the civil service. His term in government also included appointment as Ambassador and Senator. A Customer Service Manager expressed the view that Thompson was good at expense control and had been able to maintain earnings even in periods of falling revenues. According to the Customer Service Manager, he (Thompson) was an advocate of TQM practices and was instrumental in setting up the National Quality Council and the Quality

Action Teams (QAT) to give momentum to the TQM process at TFL. The National Quality Council and Quality Action Team will be discussed later in the chapter. Thompson was very influential at TFL and was characterized as being strongly result-oriented and a firm believer in both customer consciousness and performance measurement.

The interview quotes below illustrate the commitment of management to the TQM routines:

A lot hinges on leadership; management commitment is important for TQM to be effective. This has been shown by management at TFL. People generally have the desire to do good.

(Interview with QM, 24 January 2006).

The involvement of management was there and workers gave the thrust into embarking into TQM. It was not, only a management decision to be there, it was workers representatives too. But when the workers were taught the gospel of TQM, then they were better able to understand. Workers were able to make decisions and were given empowerment and this motivated them to work harder.

(Interview with MCC, 25 February 2004).

The above interview evidence suggests that management supported TQM practices and employees were encouraged to adopt TQM routines in their day-to-day activity. According to Laszlo (1999), gaining approval from the Chief Executive and obtaining his/her commitment is the first step towards the successful implementation of TQM practices in any organization. According to an interviewee, there was a growing commitment from the Managing Director and his National Quality Council on TQM practices and some employees embraced the TQM routines. With respect to this matter, Thaman (1999) notes that Fiji society is socially stratified and people have been socialized to respect persons because of their social ranks. The Fijians are devoted to their communal social structures and obedient to their chiefs (Achary, 1998a, 1998b). Fiji has a large power distance society that accepts a hierarchical order. Fijians have extended family with strong allegiance to the chiefs in the village. As a consequence, the Chief Executive and managers of TFL are generally regarded as people with authority. Many employees would not express disagreement with their superiors because they have been brought up to believe that such behaviour is inappropriate. Thus, conformity to social norms is essential and deviant behaviour is frowned on.

Achary (1998a) notes that Fijian culture is one of silence, that is, the people will not normally speak up against their superiors or chiefs and readily accept their wishes. The Indo-Fijians, who are a minority population in Fiji, hold similar beliefs. Achary (1998a) points out that silence in Fiji is culturally patterned and embroiled in societal communicative behaviour. While TQM practices require the involvement of TFL members, this has been made possible through an informal environment of Quality Action Teams. A Quality Manager claimed that as soon as the meetings are formal, then silence is reproduced.

The traditional Fijian socio-economic system, to a great extent, remains cooperative, communal and village-oriented. The relationship between chiefs and subjects, although acknowledged as authoritarian, is portrayed as a two-way arrangement (Lloyd, 1982). The chiefs take the responsibility for decision making on behalf of the people as a duty, and in return, receive loyalty and obedience to their authority from the people (Lloyd, 1982; Lawson, 1990).

The cultural beliefs also play an instrumental role at the work place: there is a large power distance between management and workers possibly emanating from the tightly knit social framework and stratified Fijian societies headed by chiefs. A Quality Manager explained that with the introduction of TQM practices at TFL, the power distance between the CEO and workers was meant to be reduced. However, due to the cultural pattern of employees, the large power distance was still pervasive within TFL. The power distance did not have much impact on TQM practices as meetings were held informally on Quality Action Teams to be described later in the chapter.

A Customer Service Manager also endorsed the notion that culture played an instrumental role within the TQM process. The Quality Action Teams' meetings were conducted in an informal manner so that involvement of all members was enhanced. The management tries to keep Quality Action Team meetings as informal as possible to overcome the silence problem of the culture. Having discussed the Fijian culture which permitted TQM practices to be introduced at TFL, the next section illustrates the institutional entrepreneurs who were at play in the implementation of TQM practices.

9.3.0 Institutional Entrepreneurs in the TQM implementation process

This section presents the role of institutional entrepreneurs (internal change agents) along with external change agents in the TQM practice implementation process. The section demonstrates how institutional entrepreneurs and external change agents can introduce new institutions of TQM routines. A number of writers (Beckert, 1999; Seo & Creed, 2002; Dorado, 2005) have identified the significance of such agents in providing impetus for change in the presence of institutional contradictions or inconsistencies. Beckert (1999) points out that the notion of institutional entrepreneur introduces strategic agency into institutional organisation theory. Beckert (1999) argues that a change agent's effects are to disturb the existing taken-for-granted routines by introducing new ideas and the possibility of change.

TQM practice was introduced by the then Managing Director, Naqova who was an institutional entrepreneur. He argued that the TQM initiative had brought considerable benefits to some of the public sector organisations he had visited in Australia and New Zealand and needed to be implemented at TFL. A Quality Manager commented:

The Managing Director used to read a lot of books on TQM and it was from there that he picked up the idea of TQM practice.

(Interview with QM, 31 January 2005).

Thus, the Managing Director's in-depth knowledge of other organisation and his wider reading was used to lend support to the idea of TQM practices.

In 1996 TFL employed consultants from Hawaii Pacific University to assist efforts to introduce TQM routines. The consultants were hired by TFL management for three months. The consultants coordinated six hours of training per week on TQM practices and their major task was to train management in TQM practices. Initially TQM practice training took place in a group consisting of representatives of all departments and the management team of TFL, including the CEO. The department representatives and managers relied on presentations by the consultants to help them understand TQM practices. The consultants emphasised success stories about TQM practices from similar programs carried out in other organisations and convinced the employees to adopt TQM practice

implementation at TFL. According to an accountant, TFL employees took TQM practices seriously, in part as a result of the credentials and specialist knowledge of the consultants.

The consultants provided training in the 11 steps to problem solving. These steps encompass: 1. identify the problem, 2. identify and analyse issues, 3. identify the underlying cause, 4. data/assignment, 5. data collection, 6. data evaluation and analysis, 7. possible solutions, 8. solution analysis, 9. cost/benefit analysis, 10. action plans, and 11. measurement (TFL Quality Manual, 1998, p.12). According to Granlund and Lukka (1998), consultants generally support mimetic processes and the trend of isomorphism. Consultants generally support similar solutions such as TQM practices that overseas-based telecommunications providers may have adapted after privatization. Irvine (2007) notes that consultant services can be considered as exerting normative institutional pressure. TFL management and employees relied on consultants for their professional services.

Apart from the consultants, there was also a management team within TFL that implemented TQM practices. This management team was comprised of the Managing Director, General Managers and ten managers of the company. The management team acted to embed TQM routines initiated by the consultants and the Managing Director within TFL. Although at first the managers were aligned with public service norms, they later on became more conscious of customer responsiveness through TQM routines recommended by the consultants. Many of the managers were receptive to TQM practices; some had previously acquired quality management diplomas from Hawaii. A Quality Manual on TQM was introduced by the management team which outlined the TQM practice within TFL; this formed part of the “rule” within TFL. The Quality Manual was made available to employees of TFL.

At the organizational level, institutional entrepreneurs of the management team were able to envision alternative institutional arrangements and were able to develop them. The institutional contradictions of undermining efficiency through a lack of customer focus led embedded agents to act as institutional entrepreneurs (e.g., Seo & Creed, 2002). In TFL’s case, the management TQM team that

included Quality Action Teams and the National Quality Council acted as institutional entrepreneurs.

However, initially TQM practice was not accepted by all employees. A Customer Service Manager stated that it took the management team almost two years of educating workers about the benefits of TQM practices before the practices was accepted by most workers. A TQM structure was set up which is discussed in section 9.4.0. Translating TQM into practice necessitated the creation of “TQM structure”, and Quality Action Teams and a National Quality Council were formed. The National Quality Council was headed by the Managing Director. A huge training initiative with almost all employees was run by the Hawaii-based consultants. Initiating studies and setting up working groups can be seen as a process of embedding an innovation (Mueller & Carter, 2005).

A Strategic Manager described barriers to the diffusion of TQM practices in this way:

Some workers were with the company for over 30 years. The majority were with the organization for 10 to 20 years. A smaller percentage was with the company for less than 10 years and some were very new. It was not a clear-cut acceptance since some felt the need for change was not there. I think the awareness of TQM made a lot of difference. We needed to speak to staff about the TQM philosophy/concept whenever the opportunity arose. This made the adaptation easier.

(Interview with SPM, 6 August 2003)

According to the above interviewee, the longest standing workers were most resistant to change. An engineer mentioned that they possibly felt that they were a bit old to change. For some others, the new practice of TQM was not making sense as FPTL had a monopoly in postal and telecom services and made adequate profits. These employees questioned the need for TQM routines. Other barriers to TQM diffusion were described by interviewees as:

There were some who resisted adopting TQM. It came from old employees. We could say old horses take longer to understand the new race course.

(Interview with QM, 6 August 2002).

Concept of total, if not understood can lead to problems. Implementation has to be gradual rather than vigorous. Then we have some conservative people in the organization who are unwilling to change.

(Interview with NMQ, 18 August 2002).

Any new thing that comes in, we need to go with it. I can't say whether we are really happy with it. There are drawbacks; a lot of paper work has to be undertaken.

(Interview with MCC, 18 February 2004)

At the moment we still have people with a traditional approach and would not listen to customers that much when there has been a great step in the thought of the people's mind that customers have to be treated in a special way.

(Interview with NMQ, 25 February 2004)

Over here we have a culture of silence and you don't know what silence means- whether they agree sometimes or disagree. They go and talk at the back. But creating that openness, having meetings in an informal situation which is more effective than formal has been more effective. As soon as it is formal, they find they are somewhere like a court house or court room where one person speaks, everyone listens-you know.

(Interview with GMA, 31 January 2005)

The above interview evidence suggests that the enactment of TQM routines was subject to resistance as these (TQM routines) challenged the civil service norms of the actors where treating customers as revenue units was unconscionable. A Quality Manager commented:

Some employees felt that they were a bit old to change. There were others who were questioning the need for TQM as TFL had the monopoly in telecommunication services.

(Interview with QM, 25 February, 2004).

However, according to an interviewee, once the key performance indicators (KPIs) were developed, which included customer consciousness as one of the five factors to be evaluated in terms of customer complaints, people's attitude changed and they gradually began to accept TQM routines. Also, to have resisted TQM practice change would have been unhelpful for employees' career prospects. Those accepting TQM routines were rewarded in the form of quarterly bonuses which were not extended to those who opposed TQM routines. Those who did not get bonuses were mainly people who received below 70% in their quarterly performance report. Chenhall (1997) points out that an important concern in the implementation of TQM practice and its relevance to MACS is the extent to which TQM is developed together with a managerial performance evaluation system. It is argued that TQM practice is enhanced once managers and employees are evaluated on the basis of non-financial measures such as customer satisfaction

(Chenhall, 1997). The next section examines the enactment of TQM routines at TFL.

9.4.0 The Enactment of TQM routines

This section describes the enactment of TQM routines at TFL. The discussion focuses on the formation of Quality Action Teams and a National Quality Council by the management team. This section regards the introduction of TQM routines within the organisation as part of the processes which were used to enact and add authority to the broader changes in practices within TFL.

The change to TQM practice was initiated by the Managing Director, Naqova, in 1996. Interviewees described the introduction of TQM practice by management as intentional and conscious. During the enactment process, the CEO and the management team, who accepted the value of TQM practices, were able to convince others of their value. The CEO and the management team began the TQM enactment process by defining the broad structure of a TQM program. The support of the CEO and management team had been reinforced by the establishment of the National Quality Council within TFL that oversees the TQM process in the company. The National Quality Council is the highest part of the hierarchy within the TQM administration structure; the next level is the Quality Action Team. Through the administration structure, TQM practices were reproduced by TFL members (see Figure 6 for administration structure). TFL members brainstormed solutions to TQM-related problems.

A TQM manager, an institutional entrepreneur, was appointed in 1996. He held a Diploma in Quality Management from Hawaii Pacific University and was sympathetic to customer needs, having been with the Customer Service division for a few years. This person had been with TFL for over 30 years, having worked up from a junior position: he was a TFL line inspector and was with the Customer Services Division before he moved to the position of National Manager: Quality. He had also presented various papers at local conferences on TQM and had won best paper prize at the Training and Productivity Authority of Fiji's Quality Award annual conference in 1997.

A TQM administration structure (see Figure 6) was introduced by CEO at TFL.

A Quality Manager explained:

In 1996, this Quality Administration Structure and the National Quality Council emerged. The National Quality Council consists of CEO, executive management, middle managers and union representatives. There are 10 Quality Action Teams at TFL. The QAT is the next tier of the new quality administration that reports to the National Quality Council via team leaders.

(Interview with QM, 6 August 2003).

The National Quality Council met on the third Monday of every month. At the meeting, team leaders reported on key business processes such as service provisioning, restoration of telecommunication services after being affected by some fault in the line, risk management, recognition and rewards, billing and revenue assurance (see Appendix 10). The Quality Action Teams report on specific quality projects that are presented at these monthly meetings.

The National Quality Council meetings became part of the routine activity within TFL. The work of the Quality Action Teams was monitored at the National Quality Council level. The TFL Quality Manual (1998) pointed out that the role of National Quality Council is to:

- monitor the quality of Telecom products and services
- form a Quality Action Team to work on macro processes (cross functional)
- monitor the work of action teams
- liaise with organizations and institutions on quality development programmes
- organize company quality conventions and award presentations
- evaluate the effectiveness of the company's quality improvement processes, and
- publicise the quality improvement undertaken by the teams.

Operational workers who do the actual work are also included in the teams. At the National Quality Council, the recommendations that emerge from the Quality Action Teams can be approved or further action may be required. Once the changes to work processes, technical changes, new investments or customer service changes are approved, they are implemented. A Quality Manager reported that the Quality Action Teams' responsibility is to follow through the

implementation process and report back to the National Quality Council within a certain time, say 3 months. The Quality Action Teams follow through 11 steps to problem solving. Once the problem is solved, it is documented and passed to the National Quality Council.

A Customer Service Manager commented:

At National Quality Council data improvement is discussed. Implementation of solutions to the problem is documented for us. New process or improvement process is discussed. This leads to awareness through all involved in the macro/micro process. Some or all could be approved. Those approved are minuted and implemented.

(Interview with MCR, 17 January 2006).

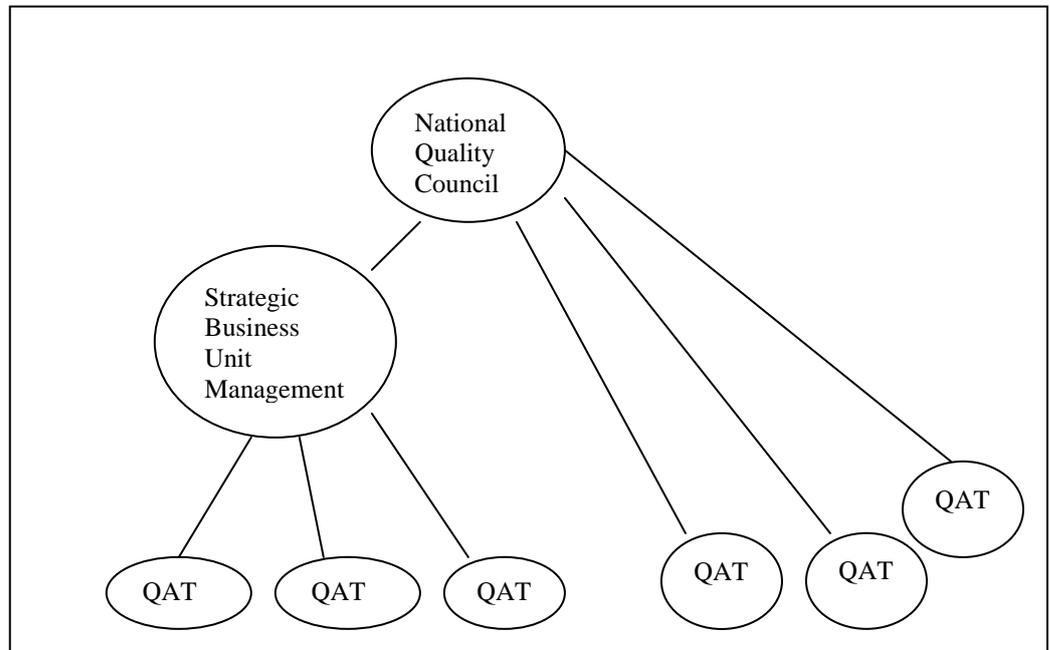
The approved projects were implemented within TFL, thus giving credibility to the TQM process. The TQM routines become taken-for-granted and the Quality Action Team is the instrument for the development of the routines. In relation to TQM, an operations worker explained that TQM success stories are also communicated through the TFL newsletter which encourages employees to embrace TQM practices. Individuals' participation in the various TQM teams routinises the concept of TQM at TFL. Through team participation, TQM routines are reproduced over time and passed on to new members of the organisation.

A Strategic Manager explained that the Quality Action Teams are cross-functional. The leader of the team is not from the same section of TFL where the quality problem exists. The leaders of Quality Action Teams are appointed by the National Quality Council. The team generally consist of people who can provide access to data necessary for testing potential solutions and who are critical for implementing the solutions developed (Hackman & Wageman, 1995). If the team members (institutional entrepreneurs) are not familiar with a process like billing, then probing questions are asked for clarification before proceeding with the solution to the problem. Hackman and Wageman (1995) point out that a cross-functional team's main purpose is to identify and analyse the "vital few" problems of the organization (p.313). The teams are created to diagnose the problems and to develop and test potential solutions to them. Through team meetings, the institutional entrepreneurs shape changes in terms of new improved practices. A Quality Manager, on being asked how a Quality Action Team approaches a problem responded:

Quality Action Teams go through the quality improvement process of problem solving. They work on data collection and select a few main problems and leave out the trivial problems. Data collection is needed which is done by the team members.

(Interview with QM, 17 January 2006).

Figure 6 TQM Structure



(Source: Telecom Fiji Limited Quality Manual, 1998, p.11).

Referring to Figure 6, some of the Quality Action Team in operations at TFL under the Strategic Business Unit Management are “resolving complaints in providing and restoring telecommunication services, reducing costs on small and medium customers, developing customer focused attitude and reducing waitlist management” (TFL Quality Manual, 1998, p. 12). The National Quality Council teams were established in the areas of debt management of customers, billing and customer value management. Some of the Quality Action Team projects will be illustrated later in the chapter (from pages 187- 191).

TFL employees made use of tools and techniques within the TQM programme which were new to TFL. According to an interviewee, examples of these tools included “brainstorming exercises in the eleven steps, process mapping and the like.” TQM institutionalisation takes place as repeated behaviors lead to reproduction of TQM routines. This reproduction involves a conscious choice of TQM practices at TFL. TQM practices were also viewed by interviewees as generating revenue from customers. A manager explained that more satisfied

customers may mean increased revenue for TFL. Before the introduction of TQM practices, the term “subscribers” was used for customers. Thus concepts like cost savings and revenues from customers became important for TFL participants as asserted by a manager: “We made some savings through TQM practices and increased revenue through more efficient billing.” Another interviewee claimed that “in the long-term we expect greater benefits from savings.” The project improvements were symbolic of new ways of doing things at TFL. A Quality Manager commented:

TQM is used, and at times we don't realize it is part of the culture...

(Interview with QM, 24 January, 2006).

The above interview comments could be seen as evidence of routinisation: TQM practices became part of organizational activity and were taken-for-granted. As TQM routines were enacted, they were reproduced by TFL members, who became disassociated from their historical origins of public service norms. According to interviewees, TQM routines were “the way of doing things.” While the consultants were involved in setting up new TQM routines in a short span of time, it was the management team members who were involved in setting up new TQM routines over time that would reproduce themselves and feed back to the institutional realm through reflexive monitoring. The consultants introduced TQM routines during training at TFL and the management team implemented the TQM routines once the consultants left the organisation. The TQM routines were reproduced through Quality Action Teams and the approval from the National Quality Council. Examples of TQM routines that were reproduced through various Quality Action Teams are discussed in the ensuing paragraphs.

The first example of reproduction of TQM routines is given by a manager in the Western division whose members faced many problems in restoring telecommunication services for customers around 1997. The restoration was due to breakdowns, often after heavy rainfall. Most telecommunication cables are laid underground and customers often face difficulties during rainy seasons as rain water interferes with the telephone cable, affecting telephone communication. The restoration may also be due to lack of preventive maintenance. A Quality team, nominated by the Chief Executive Officer and other management, was formed. It brainstormed to find reasons for delay in restoring services for customers. At least 17 problems were listed in restoring services. Out of the

many suggested problems, the team selected a vital few, and investigations were done to identify possible causes. Data were collected for a month, a goal was set and solutions effected. The Quality Action Team settled on five vital problems: delays in testing, statistics compilation, jumpering, passing of faults and delay in passing faults to the Network centre. Of the five problems, the delay in testing a cable pair was the most problematic, because the department had only one subscriber line test device.

Data collected indicated that out of a total 22 working days in the month, total tests were 131 a day-2,882 a month. There were on average, 20 working hours of waiting for customers before services could be restored. According to a manager, the company was spending on average F\$612 every month on over-time to test and analyse faults. It was decided that the best solution was to have another subscriber line test device to enhance the testing of cable pairs and numbers. According to an interviewee, once this was approved by the National Quality Council, it was implemented by the Quality Action Team. After implementation, waiting time was reduced from 20 hours to 15; a 25 percent improvement. An interviewee suggested that the subscriber test line costs approximately F\$1,000. After the implementation, over-time was reduced from, on average, F\$612 a month to an average of F\$232 a month. The implementation resulted in increased efficiency and supported a technical rationale explanation for the introduction of TQM. A Quality Manager commented:

The savings were huge and this was made from buying another subscriber test device. The savings were made on a year by year basis.

(Interview with NMQ, 17 January 2006).

This could also be seen as evidence of reproduction and routinisation within TFL as cost savings and thrift became a taken-for-granted activity and was enforced by the management team. Hackman and Wageman (1995) highlight the cost savings that can be achieved by doing the work right the first time, as has been evidenced above with the cost savings from subscriber lines.

One interviewee also spoke of a Quality Action Team which looked at delays in telephone application processing around 2000. The team found that there were loopholes in the existing application processing. There was some duplication of functions of the field people who had to carry out a physical survey before a phone was installed. The team found that such a survey was unnecessary as

information was available on TFL's system (Integrated Customer Management System). According to an interviewee, the Quality Action Team enabled the waiting time for telephones to be reduced from four to six weeks prior to 2000 to about seven days post 2000; as a result, customers were delighted.

A member of the engineering staff also reported on a quality team which in 2001, looked at the issue of micro wave link between Viti Levu (the main island) and Vanua Levu fading due to atmospheric changes and the distance. This problem was brainstormed by the team and ultimately resolved. According to interviewees, the original path was South Ridge (Nadarivatu, which is the centre of Viti Levu) to Deleikoro. This was changed to South Ridge-Ellington-Nabouwalu-Deleikoro-Labasa, reducing the distance and remedying the fading issue. The customers in Vanua Levu were generally delighted with this service, another example of efficiency emerging from employees TQM practices.

An interviewee informed that the Customer Care Centre was established in 2002 as a consequence of TQM practices. According to the interviewee, customers from anywhere in Fiji who required information on TFL products and services, billing enquiries, lodging faults and complaints, and general information simply called on the centre's free call number 11 22 33 and were assisted by the centre staff. It became a single point of contact for customers and calls were answered efficiently. A Customer Service Manager outlined the situation prior to the establishment of the Customer Centre:

There were problems faced by customer for a long time despite a 015 free call number. For example, if a complaint was lodged, customers may also call up their relatives or friends in other sections for the problem to be fixed. While complaints people deal with the problem, there were others who were also involved, causing resource overlaps.

(Interview with MCR, 24 January 2006).

According to the interviewee, there was no standard way of answering queries or even telling customers when the fault would be repaired, for example. A Quality Manager said that, through centralization, those answering the calls would deal with the customer issue immediately. A Customer Service worker also mentioned that there were instances of rude and angry customers. One caller rang to complain about his disconnected phone; the staff checked and found his account was unpaid due to a dispute. The Customer Service worker commented:

Although we apologized and explained what the real problem was, he continued to abuse us over the phone, bringing TFL down and complaining about the customer service. There was nothing to be done but just listen to him. I did not feel like putting the phone down as it would mean a bad service for TFL. When he finished I asked him politely whether he has finished and he said yes and hope you do something about it.

(Interview with CSO, 24 January 2006).

The above interviews suggest that TFL members became more customer conscious; their aim was to reduce customer complaints through the setting up of Customer Care Centre.

Another Quality Manager mentioned that there was a Quality Action Team on billing errors in 2003. "We had billing errors in the past," claimed the interviewee. The call errors meant a loss of revenue for TFL. This was so as, when a new phone was installed, customers may have used the phone without the TFL's system actually registering the phone. That is, in the past there was a gap between connection and TFL's system. This problem was tackled in a Quality Action Team and it was decided to have a system in place whereby the new phone connection is tested and registered in the system before the customer can have access to the phone. According to an operations worker, this prevented a loss of revenue for TFL.

Another example of Quality Action Team operation at TFL was billing services. According to one manager, as late as 2002 the billing function was seen by management as a major problem area for TFL. The problem was evidenced by increasing customer complaints, adverse articles in the press, and the increasing volume of calls received by TFL's customer service division on billing. The problem persisted even though TFL had TQM practices and a corporate vision which had stressed "service first and first in service" for several years. A customer satisfaction survey conducted by consultants Forum Corporation of Australia confirmed poor performance in this area as well. A Quality Action Team was formed to improve this service. It was resolved to provide reminders to customers if the payment was late, and this was approved by the National Quality Council. A Customer Service Manager remarked:

The customer survey revealed that TFL employees were not reminding customers of due date and were just cutting them off.

(Interview with MCR, 17 January 2006).

With approval from the National Quality Council, it was decided to remind customers over the phone with a bill due announcement. The results obtained through data collection by the Quality Action Team reveal that customers were appreciative; cut offs were reduced and bill payment by customers was improved. A Quality Manager also informed that around 2004, that is after two years of the bill due reminder, there was a great reduction in customer complaints, negative articles in the newspaper and the volume of calls for billing enquiries. According to a Strategic Manager, a further customer satisfaction survey conducted by TFL management also showed improvement in services provided by them.

TFL's Quality Manager reported on a Quality Action Team in the 'operations and maintenance' area in 2005. Using data collected from the system (integrated customer management system); the team identified the problem as different types of faults in the operations and maintenance area. The problems identified were overhead line faults, cable breakdowns and exchange faults. The cable faults were considered to be the main problem that inhibited TFL members from operating efficiently in the operations and maintenance area. Data collected by the Quality Action Team illustrated that cable faults were contributed to by faults in cable joints. The Quality Action Team decided on preventative maintenance on all underground joints, which were subsequently renewed. Through the Quality Action Team, a team was set up to work on faults on a daily basis and, once the faults were discovered, it was necessary to renew joints. According to the Quality Manager, through the above Quality Action Team, joint faults were reduced by 50 percent in 12 month in 2005 and customers were generally delighted. The next section examines the institutionalisation of TQM practices.

9.5.0 Evidence on the Institutionalisation of TQM practices

This section discusses the institutionalisation of TQM practices within TFL. During the reproduction process, TFL members went through TQM training and participated in Quality Action Teams, experiencing clear outcomes from TQM. These experiences assisted in institutionalising TQM practices. Organisational members use their experiences to update their "reservoir of beliefs" (Weick, 1979, p.187) about TQM and integrate TQM with their ongoing everyday reality

(Zbaracki, 1998). This section aims to show how TQM practices were institutionalised by TFL management and employees.

The experiences TFL people had with TQM shaped new understanding and beliefs about TQM practices. A Quality Manager commented:

We got some excellent solutions from the Quality Action Team. The areas we're happy about are the testing cable line team which reduced customers waiting time should the line become faulty. The team achieved a really substantial cost savings. And they were recognised at the Fiji Quality Award ceremony where they won prizes for best quality team in the country.

(Interview with QM, January 17, 2006).

The above interview suggests technical reasons for the use of TQM practices: the practices were beneficial to the employees and improved their perception of being customer-oriented. The interviewee perceived that there was improvement in efficiency through cost reduction and service provision as part of commercial business routines. Savings were made "year on year" as result of quality projects. The savings could be mooted as evidence of some routinisation. For the most part, the project improvement was small and delivered modest savings. Cumulatively, however, this may build up to substantial savings.

An accountant commented:

TQM practices were so much used at TFL that it became part of our work here.

(Interview with ACT2, 24 January 2006).

Routinisation could also be viewed in terms of the conduct of meetings and the approach to problem solving. A Quality Manager commented:

TQM practices had an impact on how we approach issues...we never start a meeting without a brainstorm. This did not happen before TQM practice.

(Interview with QM, January 17, 2006).

According to Mueller and Carter (2005), changed conduct at meetings hardly constitutes a managerial revolution but it does constitute a routinised practice that no longer requires explicit legitimation. Routinisation may continue for a long time, thus becoming recursive. TQM practices became part of the "habit" set of management and employees and were reproduced and expected within TFL. Routinised practices have become taken for granted at TFL.

At the institutionalisation stage, many organisation members at TFL had some TQM experience. According to an interviewee, TQM practice has become part of the organisation and is so much used that it has become a routinised activity. According to Zbaracki (1998) TQM practices are expected to become part of the everyday habits of managers and employees. However, there were some exceptions, as evidenced by an accountant who expressed some scepticism about the TQM process:

Although TQM was meant to make us customer conscious, everyone agreed to it in the introduction phase. On application time, approximately 70% of workers were customer conscious. One of the problems is customer billing which customers complain about over the phone: there are some employees who don't give a huck to it, while others will try to attend to the complaint.

(Interview with ACT3, January 17, 2006).

TQM practices seem to have not become routine for some employees, possibly owing to the monopolistic and uncompetitive nature of Fiji's telecom market. Similarly, a survey carried out by consultants Forum Corporation of Australia (2001) on TFL customers noted that there were gaps in the areas of service faults and repairs carried out by TFL employees. The report further argued that the responsiveness in customer service was not up to the level of customers' expectations and some customer requests were handled inefficiently. Customers were expecting personal and effective service from all TFL employees and not just from customer care staff. The report noted that there were some very satisfied customers, but some customers were dissatisfied with TFL's services.

There are two means of looking at the TQM practices during the institutionalisation stage (Zbaracki, 1998). One is the outcome emerging from the TQM teams. These outcomes shape the perceptions of TQM participants. For example, if outcomes from TQM teams are to be successful, then the team, through brainstorming, identifies a solution to the problem or an improvement which makes some valuable contribution to TFL. According to a Quality Manager, many of the employees taking part in TQM were pleased with the contributions they made.

Conversely, if the recommended TQM process changes fail, team members may lose confidence in the TQM process. Based on an informant's description, it appeared that TQM practices had been routinised at TFL, as can be seen from the

previous section where QATs brought in efficiency gains for TFL. Of the success stories told, some had achieved some sort of notable outcome. On the other hand, some TQM practice outcomes were insignificant; for example, interviewees mentioned customer satisfaction emerging from electronic queuing which appeared to emanate from technology rather than from TQM practice. The advances in technology were presented to the researcher as if they were TQM practice success stories. Itemised billing, for example, has emerged from technology rather than from TQM changes.

For institutionalisation of TQM practices, there are also the tools that the team members use and discuss. The TQM tools include brainstorming and 11 steps to the TQM problem solving process used by the various Quality Action Teams. Some examples of TQM problem solving and brainstorming, as discussed previously, were in the areas of restoring telecommunication services due to some faults in cable pairs, billing services, overcoming faults in the operations and maintenance area, telephone application processing, and establishing a Customer Care Unit. Once the problem has been resolved, it is then passed to the National Quality Council which endorses the recommendations; these are then implemented and evaluated on a monthly basis by the Quality Action Team and reported to the National Quality Council. The improved work processes emerging from TQM practices become routines and are subsequently institutionalised by Quality Action Teams and TFL members. Zbaracki (1998) asks whether such tools mainly parrot the language of the TQM problem solving process, or whether the tools manifest a new social reality (for example, 11 steps to TQM problem solving) (Zbaracki, 1998). TQM practices may provide employees with improved performance ability (Hackman & Wageman, 1995). The use of such tools by TFL employees demonstrates the operation and depth of TQM routinisation within TFL. An operations staff member commented on TQM practice as:

I have seen so many changes over the past years and I have noticed a definite improvement in the working environment. When I first started with the company there was no real interaction between the staff and 'bosses.' Before, if a Chief Engineer or Permanent Secretary came on inspection visit to the division we never got to meet them. Now the Managing Director even talks to the cleaner. Total Quality Management principles are followed.

(Interview with OS, 11 January, 2006).

According to the above interviewee, TQM practices improved the flow of communication and were instrumental in employee empowerment. The interviewee noted an improvement in work environment through an increased interaction between the management and employees. Before TQM practices were implemented, there was little interaction between employees at different levels and the cultural pattern of society was reproduced: there were large power distance between the management and the subordinates. A Human Resource Manager commented:

There is now more interaction between managers and the workers. The organisation chart has been flattened and this means a better communication between superiors and the workers at the ground level.

(Interview with MHR 19 January, 2006).

TQM practices were instrumental in reducing the power distances between management and employees. Interviewees at TFL reported greater use of the more technical tools of TQM practice to the extent that it became institutionalised within TFL. When asked for copies of TQM literature, the managers were able to supply some literature. The interviewees confirmed that technical elements of TQM practice have been infused within TFL. Interview evidence suggests that TQM practice tools are part of the everyday reality of TQM for the organisation's members and that the most commonly used tool was brainstorming. The purpose of brainstorming is to tap the creativity of group members by encouraging them to contribute to the building of a list of ideas. An accountant commented on brainstorming:

We don't start a meeting without having a brainstorm; everyone gets an opportunity to speak.

(Interview with ACT4, 17 January 2006).

These meetings constituted a routinised practice and became a taken-for-granted part of organisational life. Hackman and Wageman (1995) also identify brainstorming as one of the techniques most commonly used by quality teams to improve quality. Brainstorming is used by teams to generate a list of ideas about such matters as potential causes of a problem, possible solutions, and issues likely to be encountered in implementing those solutions (Hackman & Wageman, 1995).

As an impetus to institutionalise TQM practice, key performance indicators (KPIs) were developed around 1998 which embody customer satisfaction indicators for TFL members. Such measures as customer satisfaction fuelled the

institutionalisation of TQM practices. Managers use MACS practices such as performance indicators to track the performance of employees against targets.

As a movement towards performance management system (PMS) exercise, TFL management established in-house and external training programmes for all its employees which included commercial awareness courses. The following interview quotes illustrate this:

We develop our staff. We send them for training and further studies at the University of the South Pacific, the Fiji Institute of Technology and the Training and Productivity Authority of Fiji.

(Interview with SPM, January 17, 2006)

We gave our people a lot of in-house training including customer service training which is conducted by external consultants. This makes employees more sort of responsible in the manner they deal with customers. We also depend a lot on information systems that provide reports so that we can give quick answers to our customers.

(Interview with QM, January 24, 2006)

Through the PMS practices, individual performance is evaluated, based on routine tasks and current year work plans which are derived from the company's broader action plan and the operational KPIs, which are used for staff evaluation (see Appendix 8). A Strategic Manager commented:

The performance targets we have at workplace are: customer satisfaction, training skills, knowledge/ attitude, professional development and motivation. We recognise effort. There is a positive attitude toward subordinates.

(Interview with SPM, January 17, 2006)

The individual workers are assessed by their superiors on a quarterly basis and are allocated marks out of 100 on KPI achievement. A manager at a regional office in Nadi commented:

PMS practice is measured on individual accountability. Individual workers are allocated marks out of 100 by their respective supervisors. Some of the key performance measures at the regional centres are: punctuality, maintaining error free work and disputes in terms of customer complaints.

(Interview with RMN, January 11, 2006).

An interviewee stated that amongst some of the common accountability areas in which people are evaluated are profitability and staff development. The staff development encompasses expected versus actual performance in terms of training undertaken. As for customer perspective, the key accountability factor is the quality of service in terms of line repairs which, for residential customers, are as follows:

- 80% of customer line repairs to be done in 24 hours after receiving a complaint;
- 95% of customer line repairs are to be done in two working days after receiving a complaint;
- 100% of residential customers' line repairs are to be done in five working days after the receipt of a complaint.

For corporate customers, 80% of the line repairs were to be done within two hours of receiving complaints. According to an engineer, once a complaint (fault in line) is received, it was logged in the computerised Integrated Customer Management System and had to be cleared within a specified time limit. TFL managers and employees are result-oriented. The use of new PMS practices allows employees to be rewarded for bonuses if they exceed 70% in their quarterly PMS report. A Human Resource Manager commented:

There are a number of rewards in the company. If one performs one gets a bonus. If the company performs better than budgeted amounts, you get extras, and also on top of that is the Cost of Living Adjustment rewards.

(Interview with MHR, January 19, 2005).

Another Strategic Manager stated:

On every quarter, assessment is done. Every individual's assessment is done. Percentage rating is done which measures the amounts of bonuses. If one doesn't meet target in the first quarter, one can catch up in the second quarter.

(Interview with SPM, February 2, 2005)

A Quality Manager commented:

The KPIs are within the reach of employees and encompass both financial and non-financial indicators and are a fair system.

(Interview with NMR, February 8, 2004).

There is the view that non-financial performance measures of employees are better indicators of management effort (Ittner & Larcker, 1995, 1997; Banker, Potter & Srinivasan, 2000). Non-financial measures need to supplement financial measures to provide support for TQM practices (Hoque, 2003). The non-financial performance measures can provide feedback to decision makers on the outcomes of their efforts (Chenhall, 1997). The feedback from PMS provides information to enhance managers and employees to achieve performance goals.

Through the PMS of TFL participants, TQM practices became routinised within TFL. Employees were rewarded with bonuses on achievement of 70% and above on their quarterly PMS assessment. This bonus reward would be equivalent to a fortnight's pay for an employee. The TQM and PMS practice regimes create and

demand systems of surveillance and trigger discipline amongst TFL employees. The employees perform to achieve desired outcomes and receive a bonus, which is a motivational instrument. According to an interviewee, PMS practice is used as a form of “discipline”, a way of making TFL workers more efficient, focused and compliant. That is, they are institutionalised as part of shared norms of “discipline” and result-oriented. Interviewees claim that, through PMS techniques, workers are disciplined to adapt TQM routines to achieve expected results in their quarterly PMS report. An interviewee claimed that self-interest by participants in the form of bonus payments motivates them to adapt to TQM routines. PMS practices were instrumental in shaping TQM routines to be institutionalised within TFL. The next section brings the narrative together by discussing and summarising the findings.

9.6.0 Discussion/ Summary

The enactment and reproduction of TQM practices by TFL members illustrate TQM routinisation. The introduction of TQM routines within the organization is part of a process which were used to enact and add authority to broader MACS changes within TFL. The institutional theory framework describes the process through which TQM routines are implemented at TFL and the organizational members’ use of TQM routines. According to interviewees, TQM practices were introduced at TFL in order to do things differently: to be customer conscious. Tolbert and Zucker (1983) point out that managers and employees may adopt an innovation in the belief that innovation improves internal processes in line with technical-rational arguments. TQM routines were introduced by consultants and managers and promoted by consultants globally exhibiting mimetic isomorphism. Granlund and Lukka (1998) point out that consultants promote “same standard solutions” globally (p.167). Consultants were instrumental in bringing the global institution of TQM practices into TFL, after the Managing director asked them to provide training to TFL employees on TQM practice. Granlund and Lukka (1998) note that consultants mediate the pressure of global change into their client companies by promoting the same idea as a response to global pressures. Irvine (2007) notes that consultants’ services can be considered as normative institutional pressure. Consultants are change agents and valued not only for the

knowledge and technical advice they provide, but also for the legitimacy they bestow (Irvine, 2007).

Interview comments suggest that TQM practices are seen as part of a process of deinstitutionalizing public sector templates and institutionalizing private sector templates, which is continually evolving. Johnson et al. (2000) emphasise that actors will not necessarily align themselves with the new institutional templates; rather, they carry forward routines from the public sector and differentially adopt TQM practices at different paces. TQM practices gain institutional value over time as they become the accepted way of doing things (Zbaracki, 1998; Hoque & Alam, 1999; Mueller & Carter, 2005). TQM routines were reproduced at TFL through Quality Action Teams and approval from the National Quality Council. TQM practices became part of the “habit” of management and employees and were enacted and reproduced; for example, the Quality Action Team meetings became a routinised activity. The processes and associated practices of the Quality Action Team meetings became taken for granted at TFL.

Institutional contradictions play an instrumental role in the change process as depicted in the model presented in Chapter 3, Figure 2, section 3.6.0. There was a concern amongst management about a lack of operational efficiency within TFL. This contradiction of lack of efficiency versus demand for efficiency by management was reproduced by organizational participants. Despite privatization, TFL management and employees remained the monopoly supplier of telephone services to Fiji citizens.

Institutional entrepreneurs and external change agents played an instrumental role in effecting changes in TQM routines stemming from institutional contradictions/inconsistencies. The Managing Director, the management team, Quality Action Teams and the National Quality Council were the institutional entrepreneurs at TFL that were involved in the introduction of TQM practices. The institutional entrepreneurs of management team introduced a Quality Manual on TQM which outlined TQM practices within TFL; this formed part of the “rule” within TFL and was made available to employees of TFL.

Thus, at the organizational level, the problem of “embedded agency” can be overcome by institutional entrepreneurs as they are able to envision alternative institutional arrangements and are able to develop them. The institutional contradictions/inconsistencies within the existing “rules” and “routines” can shape embedded agents to act as institutional entrepreneurs (Seo & Creed, 2002).

At TFL, the managers, consultants, Quality Action Teams and National Quality Council extolled TQM practice as a “new way of working.” The exhortation from management was to strip away the civil service and engineering routines that had been firmly protected under the public sector regime. The stripping away of these routines reflected management confidence that new ways needed to be adopted and that the existing mode of operating without thought for customers was without prospects.

With the assistance of consultants, TFL management infused the technical base of TQM practices with institutional value. Tolbert and Zucker (1983) argue that once management practices are well established, they may be more for societal legitimacy and may constitute a “myth and ceremony.” There is a possibility that TQM practices may not bring efficiency gains for organizations. Institutional theorists claim that as TQM practices spread from organization to organization, they garner legitimacy and also technical value. The specific problem solving by Quality Action Teams at TFL exhibits legitimacy as well as technical value.

However, TFL management and employees still have some unsatisfied customers and very low service penetration rates in rural areas. Zbaracki (1998) claims that if the ultimate success of TQM practices follows some random choice- say one in six - then the managers often use the success stories and ignore failures to sustain for themselves and others a myth of TQM practices’ influence on organizations. As managers experience success with TQM practices, they seek outlets for those claims, generating the need for a structure that supports their claims of success and expertise. For this reason, the National Quality Council and Quality Action Teams were formed at TFL by the management team. TQM practices became part of TFL’s everyday routine. Institutional arguments have suggested a ceremonial adoption of TQM practices for legitimacy purposes. The use of a performance management system further reinforced the routinisation of TQM

practices at TFL. TQM practice is related to MACS in that incentive pay, for example, can have an impact on TQM practices on customer and quality performance (Sim & Killough, 1998). The evidence suggests that the institutional value of TQM practice at TFL remains firmly rooted in offering technical efficiency benefits.

Following the discussion of the routinisation of TQM practices within TFL, the next chapter discusses the findings of the results and outlines the expected contribution the study makes to the literature. The chapter concludes the thesis and identifies limitations and potential future research studies on management accounting and control system changes.

Chapter 10: Discussion/ Conclusion

10.1.0 Introduction

The thesis aims to contribute to research in a developing country, that of Fiji. It seeks to gain a theoretical understanding of how MACS reflect the social and political contexts in which they operate by using a case study of TFL. The thesis draws on institutional theory while raising questions as to how to refine and extend institutional theory which has often been associated with institutional embeddedness (stability). The social constructionist approach helps to incorporate agency and cultural issues normally missing in conventional applications of institutional theory to accounting change.

This chapter discusses the findings of the research and outlines the contribution this thesis makes to the literature. The chapter concludes the thesis and identifies limitations and potential future research studies on MACS changes. The research stemmed from an interest in MACS changes in developing countries, especially Fiji. The thesis raises a question that if institutions are defined by their stability, how is it possible to explain changes in MACS rules and routines? The paradox of “embedded agency” may be resolved by institutional entrepreneurs who are the internal change agents in organizations. Institutional contradictions are driving forces for institutional change (Seo & Creed, 2002). The next section discusses reflections on the research process.

10.2.0 Reflections on the research process

From the research process, I learned to do interpretive research whereby the researcher interacts with the researched and attempts to capture their subjective understanding of their reality. The interpretive research was a somewhat challenging task personally. I had been brought up in an environment where accounting was treated as part of an objective reality. There was an assumption that there was an objective world separate from the researcher whose job was to record or capture that reality. It was on such understanding that interpretations of individual actions were built.

It was, nevertheless, not an easy endeavour to accomplish interviewees' subjective understanding of reality. The interviewees spoke about past events that had occurred some years ago. Possibly they talked of them differently during the interviews than they may have done at the time of MACS implementation. The interviewees had time to rationalise and make sense of MACS changes after MACS had become embedded.

Through interpretive research, I was able to construct a subjective reality by interpreting interviewees' interpretations. Sometimes interviewees had different ways of seeing reality as they were in a particular position and had a particular view. For example, management spoke of MACS changes with optimism while interviewees, particularly the trade union representatives, were sceptical of the changes. I had to step out of the agents' frame of reference and take a critical view of agents' definitions of the situation. The agents' subjective interpretation was transcended.

As actions were intrinsically endowed with subjective meaning by the interviewees, they were understood with reference to their meaning. The interviewees gave their interpretation of events and I had to put such interpretations into a context. Meanings are built on other meanings and social practices. The institutional theoretical construct was used to explain action and to understand how MACS is produced and reproduced by agents.

Some difficulties were experienced with access to the case organisation. At headquarters, TFL had some security checks in place. At the initial phase of interview in 2002, I faced some anxiety as a Fiji Military Forces soldier with a gun was present with the security guard at TFL. Interviewees mentioned that this was a security measure to prevent supporters of the 2000 coups from sabotaging TFL cables within the building. However, the soldier was removed from 2003 onwards when the political situation stabilised in Fiji.

Interactions with interviewees were informal and often coffee was served at the meetings. The interviewees often requested their names not to be revealed in the research process and confidentiality was assured to them. Sometimes

interviewees paused and requested tapes to be switched off during discussion of sensitive political and cultural issues and sought reassurance that their names would not be revealed. Some interviewees, when contacted for interviews claimed that they were busy meeting work deadlines and it was necessary to wait for up to a week before they could be interviewed. Nevertheless, despite the difficulties, the interactions were typically enjoyable and will be missed as I managed to build close acquaintance with staff through the research process over time.

For someone starting a new research project, my advice is that a great deal of patience and perseverance is needed for the research project to continue and for its eventual completion. There is tension involved in the data gathering process: people may not always be cooperative as they may be occupied with their busy schedules. There may also be problems in telling a coherent story within the theoretical basis developed. It may involve much time and energy.

It may be a good idea to present some working papers from the thesis at academic conferences where some useful feedback can be obtained. Personally, this was rewarding to me after my working papers were presented at international conferences such as the Asian Academic Accounting Association, the Auckland Regional Accounting Conference, the Accounting and Finance Association of Australia and New Zealand Conference, the Fifth Asia Pacific Interdisciplinary Research in Accounting Conference and the Global Accounting and Organisational Change Conference. There is much learning, sharing of ideas and networking offered at such fora. The next section briefly discusses the research findings.

10.3.0 Research Findings

There was incremental change to commercial MACS rules and routines as a consequence of the Fiji government's policy on public sector reforms which was incompatible with FPTL's actors' public service way of doing things. For FPTL actors, there was a dramatic change in institutional arrangements. FPTL actors were extolled to run FPTL as a "successful business," selling their product and services at a profit. A Board of Directors and Chief Executive were appointed to

effect change. Preferences in such appointments were for people who had been successful in the private sector in order to inject a new type of MACS to TFL. One example of MACS change was subjecting on most projects to EVA and NPV analysis. It was intended that TFL management and employees would be more accountable for their use of resources and money. Management accountants were appointed in each division and were responsible directly to the accountable Strategic Business Unit manager. As accountants and the accounting function became a day-to-day part of organizational practices, commercial business routines were put in place and became accepted. The Strategic Business Unit managers used their management accountants and demanded information for their managerial duties. One example was the subjecting of most projects to DCF and EVA analysis.

The tensions between the contrasting ethos of public service and commercial business routines were evident at FPTL. A new interpretive scheme with a different language had been introduced. The aim was to replace the public service with the goal of maximizing shareholder value. There was a clash between the two institutions and people were mobilized to effect or resist the new language of accounting and economics taking over from what used to be seen as technical issues and expressed in engineering terms.

The Fijian interim government, on the advice of donor agencies, was instrumental in creating a situation of conflict. New business routines were introduced that challenged the existing public service ethos. In FPTL's case, the assimilation of new MACS routines was slow. The change was resisted, resulting in industrial disputes and in the sabotage of cables. Management responded with the introduction of a widespread education process to explain the changes. In addition, with the appointment of a new Board that was more sympathetic to employees needs', the MACS change proceeded. Employees were reassured that no redundancies would be made.

The Fijian government reformed its public sector amidst the political chaos that Fiji faced. Fiji's continuing political tensions are multilayered. Apart from the much explained inter-ethnic conflict between the Fijians and Indo-Fijians that emerged as part of Fiji's colonial legacy, there are other struggles such as tribal

rivalry among Fijians (Lawson, 1990; Durutalo, 2005). In the early stages of corporatisation, there was some uncertainty. Political and cultural issues specific to Fiji were pivotal in explaining the resistance to new MACS that occurred. Communitarian values and tribal obligations in the form of personal relationships at the top management level triggered resistance and it was years before the Fiji government could stabilize the company through the appointment of a new Board which introduced new business MACS routines.

The accounting system changed from a cash basis to accrual accounting. TFL management acted to legitimize business operations but met with some resistance in the early stages of corporatisation. A failure to adjust to this new environment is evidence of institutional contradiction/inconsistency of lack of adaptability (Seo & Creed, 2002). Powell (1991) argues that efforts to change actors' shared expectations are often resisted as "they threaten individuals' sense of security and disrupt routines" (p.194). Informal Quality Action teams encouraged participation amongst employees. Following this reflection on the reforms, the next section outlines the process of institutionalization of MACS rules and routines.

10.3.1 The Process of Institutionalisation

The initial stages of corporatization of FPTL marked a period of uncertainty which triggered tensions and workers resisted the adoption of commercial business routines. The model of institutional contradiction, institutional entrepreneurs and the process of institutionalization described in Chapter 3, section 3.6.0, (see also Figure 2), shows how managers may be able, in time, to reduce uncertainty created by the destruction of old institutions by creating a sense of stability through the process of enacting and reproducing new practices.

After the difficulties of 1991/1992, the top-level management and the accountants began a process of education and training which involved the introduction of new techniques based on Total Quality Management (TQM) principles in 1996 and on new accounting techniques. The introduction of TQM routines within the organization is part of a process which were used to enact and add authority to broader MACS changes within TFL. The top-level management team consisted

of the CEOs, five general managers and ten managers of the company. The top-level managers through providing training and their social skills were gradually able to gain the cooperation of other actors to accomplish commercial business routines. Staff were involved in the change process and the advantages of new stabilized procedures were slowly incorporated into daily routines. Jacobs (1998) observes that systems of accounting and accountability introduced to anchor a reform process will encounter minimal resistance if the whole process is well communicated to organizational participants.

The introduction of new techniques such as strategic planning, EVA, NPV and ROI were aimed at changing the traditional culture of a public service ethos. There were to be new rules and routines of behavior. Activities were to be accounted by TFL members in economic and commercial terms. The accounting change shaped people's perception of running TFL as a successful business. Over time, commercial accounting practices were followed and, with further restructuring, a great deal was demanded from the subsidiary (TFL) by the parent company, ATH, in terms of reporting subsidiaries' results. Granlund and Lukka (1998) argue that it is common for the headquarters members to force its subsidiaries to adopt reporting systems similar to those used in the headquarters/parent company. The accountants' role became central to TFL's operations. The management team and the Finance Strategic Business Unit team were instrumental in enacting and routinising new MACS techniques at TFL.

As for the TQM practices, as part of MACS, during the reproduction process TFL members underwent TQM training and experienced clear outcomes from TQM. These experiences assisted in institutionalizing TQM practices. Organisational members use their experiences to update their "reservoir of beliefs" (Weick, 1979, p.187) about TQM. Consultants were instrumental in bringing about the global institution of TQM practices at TFL. Granlund and Lukka (1998) note that consultants mediate the pressure of global change into their client companies by promoting the same idea, such as quality management as a response to the global pressures. Irvine (2007) notes that consultant services can be considered as normative institutional pressure. Consultants are change agents and valued not only for the knowledge and technical advice they provide, but for the legitimacy they bestow (Irvine, 2007).

At the institutionalization stage, many organization members at TFL had some TQM experience. According to an interviewee, TQM practice became part of the organization and was used so much that it became a routinised activity. According to Zbaracki (1998), TQM practices are expected by organizational agents to become part of the everyday habit of managers and employees. Interview evidence suggests that TQM practices are part of the process of deinstitutionalizing public sector templates and institutionalizing private sector templates, a process that is continually evolving. Johnson et al. (2000) emphasise that actors will not necessarily align themselves with the new institutional templates; rather, they carry forward routines from the public sector and differentially adopt TQM practices at varying paces. TQM practices gain institutional value over time as they become the accepted way of doing things (Zbaracki, 1998; Hoque & Alam, 1999; Mueller & Carter, 2005). TQM routines were reproduced at TFL through Quality Action Teams and with approval from National Quality Council. TQM practices became part of the “habit” of management and employees which were enacted and reproduced, for example, the Quality Action Team meetings became a routinised activity, their processes and associated practices becoming taken-for-granted at TFL. A Quality Manual which outlined TQM practices was introduced by the management team; this formed part of the “rule” within TFL and was made available to employees of TFL. Performance measures in form of customer satisfaction and on-time delivery services reinforced TQM practice institutionalization at TFL. The TQM practice institutionalization also shaped new accounting procedures such as EVA, payback period, NPV which helped managers in decision making. The performance management system further shaped TFL actors behaviour in line with new commercialized MACS rules and routines. After this discussion of the institutionalization process, the next section concludes the thesis.

10.4.0 Conclusion

The thesis makes an attempt to contribute to research on MACS in a developing country context- Fiji. Cultural and political forces are relevant to accounting in a developing country. The case study is on a Fijian Telecom company which was initially a government department and was subsequently corporatized and privatised.

The research argues that a study of institutionalism via isomorphism has limitations in the range of its explanatory potential: the emphasis of traditional institutional theory is on stability rather than change. There was an over-reliance on isomorphism by earlier institutional writers which appeared to ignore agents and their interests (Burns & Scapens, 2000; Lounsbury, 2008). The traditional institutional theory has been criticised for taking a macro focus approach and being insensitive to the role of organisational actors, and their power and interests (Carruthers, 1995).

Burns and Scapens' (2000) model has been used in the thesis to introduce human agency into institutional theory. The theory proposed by Burns and Scapens (2000) was, however, not so clear about when and how the agents may change the MACS rules and routines. Thus, to better explain MACS changes, Burns and Scapens' (2000) model needed further refinement. Beckert's (1999), Seo and Creed's (2002) and Dorado's (2005) theorisation is used to refine institutional theory. There is a problem of "embedded agency" (Seo & Creed, 2002). If institutions are defined by their stability, how is it possible to explain change in MACS rules and routines?

The paradox of "embedded agency" is overcome by institutional entrepreneurs who are the change agents in organisations. Institutional contradictions are driving forces for institutional change (Seo & Creed, 2002). The institutional contradictions may provide an opportunity for the institutional entrepreneurs to disrupt the existing MACS rules and routines within an institutional arrangement and to create new institutions. The institutional theory utilised in the thesis has been considered to be a useful tool for achieving a richer understanding of the phenomena being studied.

MACS are located in the everyday, common-sense language of the participants. The aim was to study MACS through the TFL agents' definition of the situation. The focus was on exploring how MACS change was created and on how the TFL members constructed common understandings of MACS changes. These common understandings became the structure which is produced and reproduced by individuals in their daily interactions. TFL agents became socialised into

behaving in particular ways and conducted their day-to-day activities within the socially constructed MACS rules and routines. These MACS rules and routines became institutionalised, taken-for-granted and used to typify experiences of actors.

Seo and Creed's (2002) theorisation of institutional change was followed. Institutional theory as a theory of isomorphism was revised as institutionalists have shifted towards the study of MACS change (Burns & Baldvinsdottir, 2005; Burns & Neilson, 2006; Lounsbury, 2008). In the thesis, the new MACS rules and routines were subsequently stabilised by management after the work of institutional entrepreneurs, thus giving rise to new institutions on an ongoing basis. Through the ongoing conflicts/ struggle in social interactions, institutional entrepreneurs are prompted to disrupt the existing MACS rules and routines and to create new ones. As such, new directions in institutional research have been highlighted by the case study.

The thesis elaborates on the importance of human agency in institutional theory which has traditionally been a theory of isomorphism. At the same time, the portrayal of political and cultural influences specific to Fiji is outside the isomorphic tendencies of institutional theory. Burns and Scapens' (2000) model is insightful in conceptualising agency within institutional theory. However, what is lacking in Burns and Scapens' (2000) model is the sources of change; are they from endogenous or exogenous forces? Burns and Scapens' (2000) conceptualisation of sources of change is somewhat silent in their theorisation. Beckert's (1999), Seo and Creed's (2002) and Dorado's (2005) notion of institutional contradiction and institutional entrepreneurs is followed to refine institutional theory and to extend literature on institutional entrepreneurs and institutional theory in management accounting.

The study reveals that the external jolts stemming from external aid agencies and the state were major influences in creating changes to the management control system. As in Alam's (1997) study, this research reveals that culturally specific influences in a developing country are different from those that prevail in Western countries. For example, Busco et al's., (2006) Italian research examined how Nuovo Pignone (NP) was taken over by US multinational, General Electric (GE),

and managed in the “GE way.” There was little resistance to change; people were anxious at NP but looked forward to coping with change. Soin et al’s., (2002) UK study on implementation of ABC in a bank identified tension between the need to establish ABC as an organisational routine with the less routinised but evolutionary aspirations of ABM that identified new links between costs and products. Burns and Baldvinsdottir’s (2005) UK study showed the changing role of accountants in a pharmaceutical company. The previous role of research and marketing was questioned and new commercial business routines were crafted by accountants. The accountants began to play a multifaceted role within the organisation and the changes in commercial business routines were gradually accepted by organisational agents without much resistance.

In the literature dealing with MACS change, this has mostly been portrayed as occurring with little resistance and has ignored cultural and political influences (e.g., Abernethy & Chua, 1996; Soin et al., 2002; Busco et al., 2006). However, MACS changes at TFL took some three to four years to be institutionalised because of cultural and political factors specific to Fiji. The thesis adds to the developing country literature by showing that resistance to MACS change could be attributed to Fiji’s specific cultural and political context.

Previous research on MACS change has been undertaken at either an organisational field level or at an organisational level (Dillard, Rigsby & Goodman, 2004). This research uses institutional theory and attempts to integrate changes at both levels. The thesis depicts the central role of agents in MACS changes, which appeared to be a neglected area as identified by Granlund (2001). Scott and Bruce (1994) also elaborate on the importance of agents, noting that innovations cannot be understood without attention to the personal and environmental influences. Burns and Scapens (2000), Burns (2000), Soin et al. (2002) and Scapens (2006) have posited that scholars have paid little attention to the micro process of institutionalisation. This thesis investigated the micro process of institutionalism within TFL. In doing so, the thesis examined the institutional contradictions that were in play at TFL and how institutional entrepreneurs exploited the contradictions to introduce MACS changes.

The thesis extended the institutional theory literature in management accounting literature using the notion of institutional contradictions and institutional entrepreneurs to demonstrate how embedded actors can become institutional entrepreneurs and shape MACS changes in organisational setting. The study has practice implications as it shows that management accountants can act as institutional entrepreneurs in organisations, shaping new accounting technologies in reformed entities, and changing actors' interpretive schemes. The study has implications for policy makers, consultants and other stakeholders in terms of promoting a need for better understanding the sensitivity of cultural and political circumstances in LDC's such as Fiji in relation to the introduction of MACS changes. The study has implications for other recently corporatized/ privatised and state-sector organisations in Fiji and elsewhere. It has implications for other researchers as institutional theory can be refined on the basis of new empirical evidence.

All case studies represent interpretations by the researcher as to the nature of social reality (Humphrey & Scapens, 1996). Case study research has limitations in regard to the generalisation of its results. However, generalisation with respect to a theoretical framework is possible. The generalisation to theory has been made, reflecting on institutional theory.

Future research could be aimed at making a comparative study of MACS changes in public sector organisations in developing countries. The object of such multiple case studies would be to support theories capable of interpreting the various observations which have been made (Humphrey & Scapens, 1996). Future research adopting a multiple site study may provide more findings in MACS changes in organisations. This would add to the current literature on MACS. Future research could be undertaken to compare the findings in this study with findings that relate to (1) international telecommunications institutions abroad, (2) privately or publicly traded manufacturing firms, and (3) firms in other countries (e.g., Hoque & Alam, 1999). Such an endeavour may improve understanding of ongoing conflicts/ struggle in the social interaction of agents and of how institutional entrepreneurs and external change agents bring about MACS change in organisation.

There is a need for more studies on MACS changes in less developed countries as the context of less developed countries is different from western industrialised countries. Researchers need to address issues of culture and politics and how accounting is intertwined with these influences (see Alawattage et al., 2007). It may also be necessary to complement institutional theory with theories of power (Burns, 2000; Collier, 2001; Tsamenyi et al., 2006) or actor network theory (see Lounsbury, 2008) in future research on MACS changes. These complementary theories may provide new insights into MACS changes.

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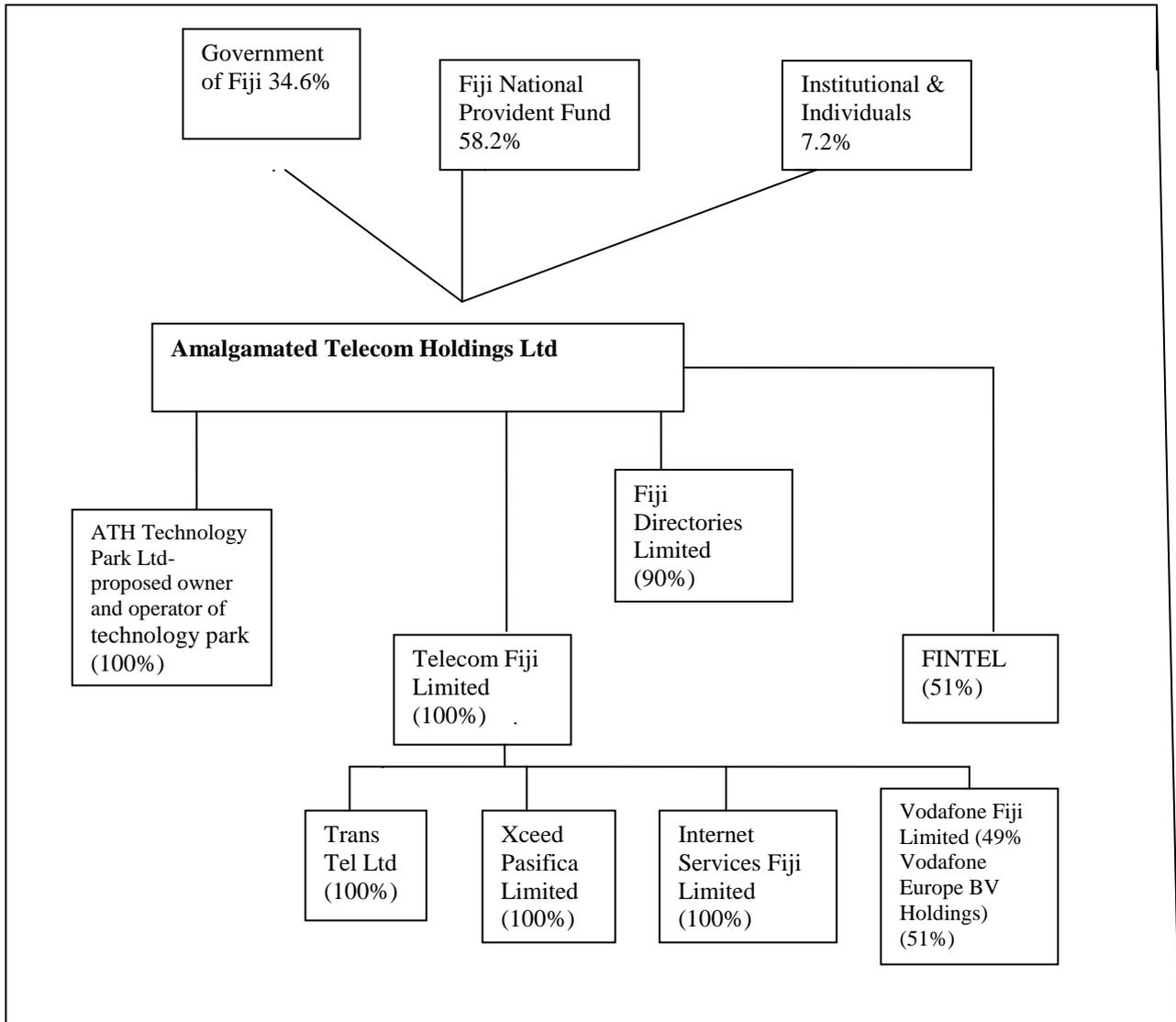
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Appendix 1: ATH Ownership Structure



(Source: ATH annual report, 2005).

Appendix 2: Interview Questions

Questionnaire prepared as a guide for discussion with managers of Telecom Fiji Limited on background of Telecom Fiji Limited.

1. Why was Telecom Fiji Limited formed?
2. Who controls the running of Telecom Fiji Limited? Can you provide an organisation chart?
3. What are its mission and vision statement?
4. What are some of the changes that have come about in the organisation since its inception?
5. Why did the change take place?
6. What was the organisation like prior to these changes in terms of working environment and organisation culture?
7. Who influenced these changes and why?
8. Has TFL's function changed overtime? Explain.
9. How would you like to see Telecom Fiji developing in future?
10. Are there any problems TFL faces?
11. How did the workers react to so many changes?
12. Did anyone leave the organisation?
13. Can you describe how Telecom Fiji was when it was government owned as against today's privatised organisation?
14. Did you support the public service way of doing things? Explain.
15. Did the trade unions pose any problems for the corporatisation to occur? Explain.
16. How did the change get accepted by TFL employees?

Questionnaire prepared as a guide for the discussion with managers and operational workers on the separation of Post Fiji from Telecom Fiji Limited.

Topic: Separation of Post Fiji from Telecom Fiji Ltd.

1. What were the reasons for the separation of Post Fiji from Telecom Fiji Limited? Describe the processes of separation.
2. Who were the actors who created this?
3. Are you happy with the change?
4. How did people react to the change?
5. Were there any resistance to the change? Elaborate.
6. What is the role of Telecom Fiji and Post Fiji in the socio- economic development of the country?
7. How do you want Telecom Fiji and Post Fiji to develop in the future?
8. Have you been able to fulfil the vision and mission after the separation?
9. How was the organisation like prior to the separation?
10. How is it now?
11. Why is it different now with the privatisation?
12. Do you feel that Post Fiji and Telecom Fiji are fulfilling their role effectively? How? If not, then why not?
13. Do you see the role of Telecom Fiji changing after privatization and in the process neglecting its more traditional role- “providing a means of communication to all in need”?
14. What changes do you see in your daily routine after the separation?
15. Was Telecom Fiji able to achieve what it wanted to after the separation?
16. What sort of relationship does Telecom Fiji have with Post Fiji Limited?
17. What sorts of problem was TFL facing when the postal element was part of it?
18. Did Telecom Fiji’s mission change after the separation?

Questionnaire prepared as a guide for discussion with managers and other staff on the role of accounting in the corporatisation and privatisation of Telecom Fiji Limited

Topic: Role of Accounting

1. How were accounting information kept in government days?
2. Were there any problems with accounting information system in government days?
3. Were any changes in accounting system observed after corporatisation?
4. Did the accountants' role change? Did they become more proactive? Discuss.
5. What techniques do you use to evaluate capital projects? Give an example.
6. Do you have a strategic business plan? Explain some of its contents.
7. Are accountants involved in training other staff with financial matters?
8. What sort of demands is imposed by the parent company of Amalgamated Telecom Holdings Limited?
9. Does the South Pacific Stock Exchange place any demand on the company?
Please explain.

Questionnaire prepared as a guide for discussion with managers and other staff of Telecom Fiji Limited on Total Quality Management

Topic: Total Quality Management

1. Can you tell me what you understand by the term “Total Quality Management”?
2. Why was TQM introduced?
3. What external forces influenced the introduction of TQM?
4. Can you provide some historical information on the introduction of TQM?
5. What was the organisation culture/ patterns of behaviour like prior to the introduction of TQM?
6. What is the organisation culture like after TQM’s introduction?
7. Do you see any benefits of TQM in the organisation?
8. How do you feel about the organisation now? Is there any changes in the organisation?
9. How has TQM been implemented, i.e. what processes were involved?
10. Which actors were involved in the introduction and why?
11. Were there any costs involved with TQM implementation?
12. Is there any particular pattern of behaviour from workers before TQM implementation?
13. How has TQM helped to achieve the vision and mission of the organisation?
14. How did the workers react to the concept?
15. What are your views on the system?
16. Can you see any problems with TQM?
17. Has there been any change in employees’ morale after the introduction of “TQM”?
18. Have there been any problems in the implementation of TQM?
19. Have there been any changes in the management/ employee relationship since the introduction of TQM?
20. How do you view the role of Telecom Fiji Limited in the socio- economic development of the country?
21. How do you like to see quality initiatives developed in the future?
22. What kind of impact the organisation had from the State’s public sector reform policies?

23. Were there any changes in responsibility after the introduction of TQM from top management to subordinate level? Explain in detail.

Questionnaire prepared as a guide for discussion with managers and other staff on Telecom Fiji Limited on performance measurement at the Company

Topic: Performance Measurement

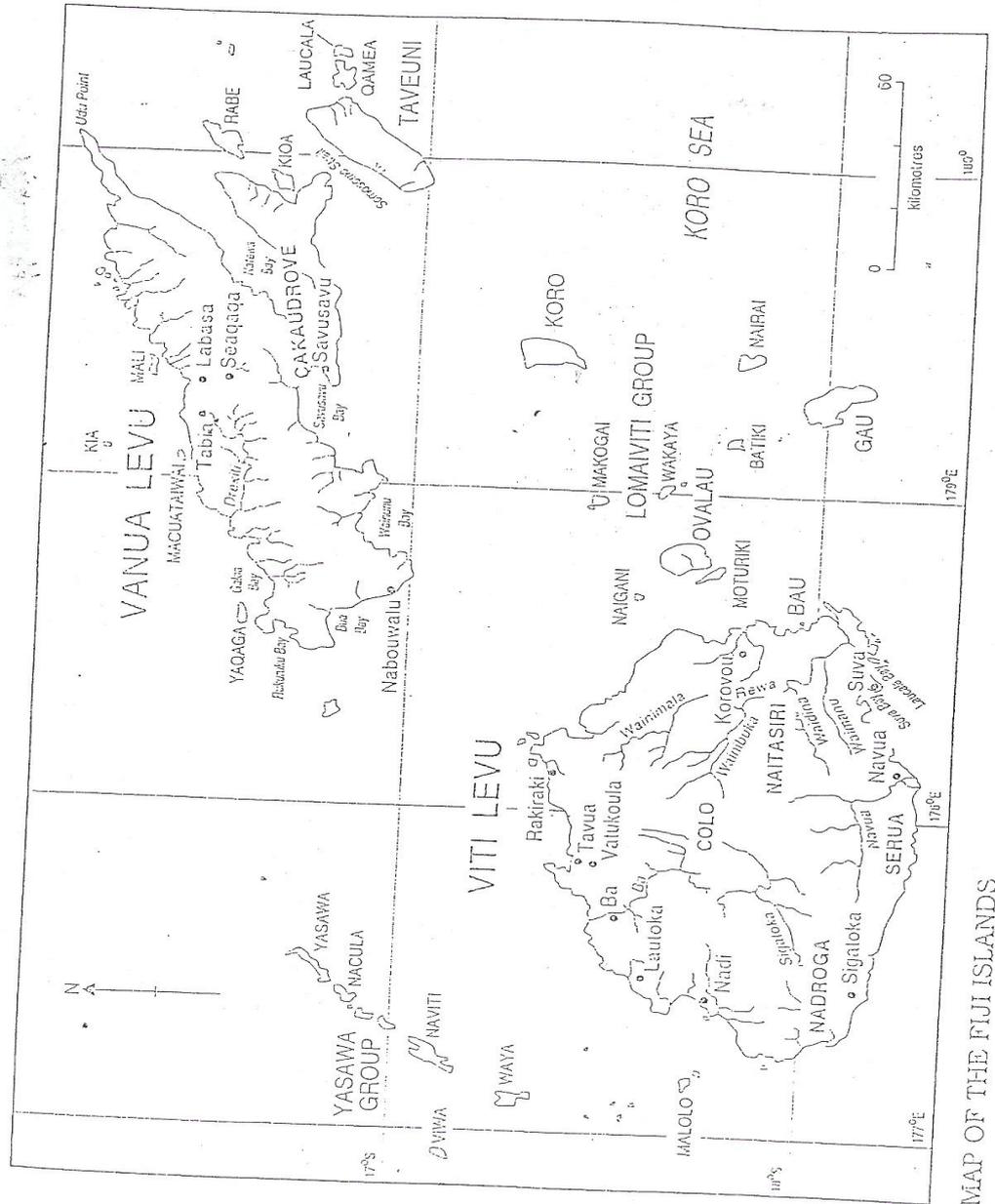
1. Can you describe your management contract system?
- 2.. What was the work environment like prior to the introduction of performance measurement system?
3. Which actors introduced this?
4. How has the work environment changed with the introduction of performance measurement system?
5. How do you think this performance measurement system contributes to the goal of the organisation- providing improved communication to its citizens?
6. What did Telecom Fiji Ltd want to achieve with performance measurement system?
7. What are the processes involved within the performance measurement system?
8. Does performance measurement system cater for non- financial performance measures like professional development? Elaborate.
9. .What were the reactions of people once the scheme was introduced? i.e. how did they behave?
10. Did anyone leave the organization?
11. How were you successful in implementing performance measurement system?
12. Do you want to see some improvement made to performance measurement system? Which areas do you think improvement needs to be made?
13. Are employees consulted whilst setting targets? Describe the processes.
- 14.What were the reactions of unions to performance measurement system? Were there any resistance? Elaborate.
15. Which actors were responsible for the introduction of performance measurement system and why?
16. What is your overall view of the system?
- 17.What kind of performance indicators do you have and how do they work?
18. Who sets the performance measures? Who records them?
19. Who assesses performance? [documentary evidence: subsequent action, lack of action].

20. Have people lost jobs after the performance measurement system or restructure of organization? Explain.
21. How do you expect to see the future development of performance measurement system?
22. What were the patterns of behaviour of people before performance measurement system?
23. What is the pattern of behaviour now after the performance measurement system?

Appendix 3: List of Interviewees

Interviewees	Reference number	Number of interviews	Approximate Duration of each interview
Chief Executive	CEO	1	1 hour
Manager, Human Resources	MHR	1	1 hour
Strategic Planning Manager	SPM	4	4 hours
National Manager Quality	NMQ	3	3 hours
Accountant 1	ACT1	2	3 hours
Accountant 2	ACT2	1	1 hour
Accountant 3	ACT3	2	3 hours
Accountant 4	ACT4	2	2 hours
Chief Finance Officer	CFO	1	1 hour
Manager, Customer Relations	MCR	1	2 hours
Customer Service Officer	CSO	1	2 hours
General Manager Access	GMA	2	2 hours
Regional Manager, Nadi	RMN	2	2 hours
Technicians	TEC	2	2 hours
Finance Manager	FM	1	1 hour
Corporate Communications Officer	CCO	1	1 hour
Regional Manager- Lautoka	RML	2	2 hours
Quality Manager	QM	2	2 hours
Regional Manager, Ba	RMB	1	1 hour
Regional Manager, Tavua	RMT	1	1 hour
Operations Staff	OS	2	3 hours
Engineer	ENG	2	2 hours
Manager, Corporate Communications	MCC	1	1 hour
Senior Economists, ministry of Public Enterprises	SEP	1	1 hour
Accountant- Ministry of Public Enterprises	ACP	1	1 hour
Senior Accountant- Post Fiji Limited	SAP	1	1 hour
Manager, Post Masters Business Account	MPB	1	1 hour
Fiji Posts and Telecom Union Secretary	FPTLS	2	2 hours
Company Secretary, Amalgamated telecom Holdings limited	CSATH	1	2 hours
Project Officer, Commerce Commission	POCC	1	1 hour
Board member- Telecom Fiji Limited	BMTFL	1	2 hours
		47	

Appendix 4: Map of Fiji



MAP OF THE FIJI ISLANDS

Appendix 5: Population Census of Fiji

Table A
POPULATION BY ETHNIC ORIGIN AND SEX AT SUCCESSIVE CENSUSES: 1881 - 1996

Ethnic Origin	1881		1891		1901		1911		1921		1936		1946		1956		1976		1986		1996	
	4-Apr	5-Apr	31-Mar	2-Apr	27c	6Apr	23-Apr	26-Apr	26-Apr	26-Oct	26-Oct	26-Sep	13-Sep	13-Sep	13-Sep	31-Aug	31-Aug	25-Aug	25-Aug	25-Aug	25-Aug	
Chinese* Male	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Female	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Total	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
European Male	1,879	1,273	1,511	2,401	2,397	5,363	2,467	3,374	3,437	2,605	2,310	2,503	2,536	2,536	2,536	2,536	2,536	2,536	2,536	2,536	2,536	2,536
Female	792	763	1,304	1,581	1,765	2,127	3,028	3,163	3,163	2,354	1,956	1,390	1,390	1,390	1,390	1,390	1,390	1,390	1,390	1,390	1,390	1,390
Total	2,671	2,036	2,815	3,982	4,162	7,490	5,494	6,537	6,600	4,959	4,266	3,926	3,926	3,926	3,926	3,926	3,926	3,926	3,926	3,926	3,926	3,926
Fijian Male	60,859	56,885	80,337	46,110	44,022	49,069	59,862	74,509	102,479	131,413	167,256	199,895	199,895	199,895	199,895	199,895	199,895	199,895	199,895	199,895	199,895	199,895
Female	53,049	49,355	44,040	40,985	40,453	47,782	58,208	73,145	95,637	129,519	182,049	193,660	193,660	193,660	193,660	193,660	193,660	193,660	193,660	193,660	193,660	193,660
Total	114,740	106,240	124,377	87,095	84,475	97,681	110,070	147,654	202,116	259,932	349,305	393,555	393,555	393,555	393,555	393,555	393,555	393,555	393,555	393,555	393,555	393,555
Indian Male	368	4,298	11,353	26,073	37,015	48,246	64,508	80,359	122,632	147,194	171,796	171,796	171,796	171,796	171,796	171,796	171,796	171,796	171,796	171,796	171,796	171,796
Female	300	2,470	5,752	14,213	23,619	36,756	55,426	81,034	110,320	145,702	167,022	167,022	167,022	167,022	167,022	167,022	167,022	167,022	167,022	167,022	167,022	167,022
Total	588	7,368	17,105	40,286	60,634	85,002	120,414	161,403	232,956	292,896	338,818	338,818	338,818	338,818	338,818	338,818	338,818	338,818	338,818	338,818	338,818	338,818
Port* Male	387	529	759	1,217	1,454	2,385	3,195	4,108	4,951	5,356	5,356	5,356	5,356	5,356	5,356	5,356	5,356	5,356	5,356	5,356	5,356	5,356
Female	384	537	757	1,184	1,327	2,249	2,937	3,892	4,736	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910	4,910
Total	771	1,066	1,516	2,401	2,781	4,634	6,142	7,910	9,687	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276	10,276
Rotuman Male	1,126	1,056	1,036	1,043	1,129	1,413	1,696	2,232	2,939	3,666	4,367	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Female	1,126	1,163	1,194	1,133	1,106	1,403	1,617	2,190	2,850	3,625	4,719	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total	2,492	2,219	2,230	2,176	2,235	2,816	3,313	4,322	5,797	7,291	8,652	9,727	9,727	9,727	9,727	9,727	9,727	9,727	9,727	9,727	9,727	9,727
Other Europeans Male	5,625	1,923	1,564	2,429	1,271	1,470	2,145	2,839	3,207	3,174	4,499	5,414	5,414	5,414	5,414	5,414	5,414	5,414	5,414	5,414	5,414	5,414
Female	471	364	366	329	391	483	1,472	4,403	2,808	3,349	4,138	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029	5,029
Total	6,100	2,287	1,950	2,758	1,662	1,953	3,617	7,242	6,015	7,521	9,633	10,443	10,443	10,443	10,443	10,443	10,443	10,443	10,443	10,443	10,443	10,443
All Other Male	93	141	354	457	431	132	371	50	502	737	415	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Female	61	171	213	355	356	72	341	41	71	543	395	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207	1,207
Total	154	312	567	812	787	204	514	91	272	1,270	810	2,607	2,607	2,607	2,607	2,607	2,607	2,607	2,607	2,607	2,607	2,607
Total Male	70,481	66,367	86,871	40,000	40,464	107,194	136,711	170,475	242,747	296,958	382,569	393,555	393,555	393,555	393,555	393,555	393,555	393,555	393,555	393,555	393,555	393,555
Female	57,045	54,033	51,256	55,533	68,862	91,105	122,907	167,262	211,900	271,118	352,807	341,116	341,116	341,116	341,116	341,116	341,116	341,116	341,116	341,116	341,116	341,116
Total	127,526	120,400	138,127	95,533	109,326	198,299	259,618	332,637	454,647	568,058	734,376	734,671	734,671	734,671	734,671	734,671	734,671	734,671	734,671	734,671	734,671	734,671

* Includes part-Chinese in 1946, 1956, 1966, 1976 and 1986

† Includes with "All others"

Source: 1996 Census of Fiji, Bureau of Statistics

(Source: Fiji Islands Bureau of Statistics, 1996).

Appendix 6: Profitability of commercialised government entities

Source: Ministry of Public Enterprises & Public Sector Reform Annual Report (2001).

Entities		Financial Performance				
Government Commercial Companies		1998	1999	2000	2000	
Airports Fiji Limited (AFL) Incorporated – 6 June 1998 <ul style="list-style-type: none"> Total number of employees: 506 	AFL operates 16 airports and deals with the provision of air navigation services and operation and management of Nadi International Airport. Since its incorporation the company has shown improvement in its performance. In its first year of operations the entity recorded an operating loss of \$420,386 but in Year 1999 and 2000 the performance improved. AFL paid dividends of \$248,546 for 1999 and \$1,014,296 for 2000. In 1999 AFL had a tax benefit of \$116,364 as a result of accumulated losses and \$1,035,990 was paid in taxes in 2000.					
		Net Profit (After Tax)	-420,386	497,091	1,988,815	
		Tax expense/ (benefit)	-	(116,364)	1,035,990	
		Return on Shareholders Fund	-234.05%	0.61%	3.41%	
Fiji Broadcasting Corporation Limited (FBCL) Incorporated – 5 November 1997 <ul style="list-style-type: none"> Total number of employees: 125 	FBCL, made up of five radio stations, provides commercial and public broadcasting services to people of Fiji. It achieved its highest ever return in 2000. Despite the political upheaval for the financial year ending 31 December 2000 the company had a Net Profit of \$199,924. This is the first year that FBCL has accumulated profits. The company has plans to update equipment and systems that would help the company achieve the desired 10% return on shareholders fund.					
		Dividend Payout Ratio	0%	50%	51%	
		Net Profit After Tax	-1,613,558	88,934	199,924	
		Tax Expenses/ (Benefit)	-	8,774	12,819	
Fiji Hardwood Corporation Limited (FHCL) Incorporated – 18 March 1998 <ul style="list-style-type: none"> Total number of employees: 123 	FHCL was incorporated as wholly owned government company to manage the government hardwood plantations. Since its incorporation government has been funding the company's operations. To date FHCL has not been involved in any commercial activities as it is bound by government's decision to put on hold any dealings on mahogany until the Great Council of Chiefs make their recommendations to Government.					
		Return on Shareholders Fund	-70.16%	3.72%	7.72%	
		Working Capital	0.45	0.60	1.20	

<p>Post Fiji Limited (PFL) Incorporated – 9 May 1996</p> <ul style="list-style-type: none"> Total number of employees: 275 	<p>PFL currently operates through a network of some 301 outlets comprising post offices, non-cash and cash accounting postal agencies. It has also diversified into providing other retail products such as Post Shop, Card Services, Bill Pay, Agency Business and Courier Services. Year 2000 has been unfavourable for PFL. PFL achieved a profit for the year 2000, which was a decline compared to Year 1999. PFL paid only 20% of profits as dividends to the government over the three years.</p> <table border="1"> <thead> <tr> <th></th> <th>1998</th> <th>1999</th> <th>2000</th> </tr> </thead> <tbody> <tr> <td>Net Profit After Tax</td> <td>1,483,447</td> <td>1,280,643</td> <td>936,040</td> </tr> <tr> <td>Tax Expense/ (Benefit)</td> <td>550,661</td> <td>385,566</td> <td>314,038</td> </tr> <tr> <td>Dividends</td> <td>296,689</td> <td>256,129</td> <td>187,208</td> </tr> <tr> <td>Return on Shareholders Fund</td> <td>17.26%</td> <td>13.31%</td> <td>9.03%</td> </tr> <tr> <td>Dividends Payout Ratio</td> <td>20%</td> <td>20%</td> <td>20%</td> </tr> </tbody> </table>		1998	1999	2000	Net Profit After Tax	1,483,447	1,280,643	936,040	Tax Expense/ (Benefit)	550,661	385,566	314,038	Dividends	296,689	256,129	187,208	Return on Shareholders Fund	17.26%	13.31%	9.03%	Dividends Payout Ratio	20%	20%	20%
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<p>Rewa Rice Limited (RRL) Incorporated – 8 March 1960</p> <ul style="list-style-type: none"> Total number of employees: 26 	<p>RRL's principal activity includes milling and sale of rice and poultry feed. The financial trend for the last three years has not been impressive. The company continues to operate at a loss despite measures aimed at reviving the company. Return on Shareholders has always been negative but losses decreased in 2000. A contributing factor to the decline in losses was the introduction of the Quota system, which generated profits. RRL has never paid any dividends or taxes in its past years of operation.</p> <table border="1"> <thead> <tr> <th></th> <th>1998</th> <th>1999</th> <th>2000</th> </tr> </thead> <tbody> <tr> <td>Net Profit After Tax</td> <td>(2,505,403)</td> <td>(3,455,757)</td> <td>(328,039)</td> </tr> <tr> <td>Return on Shareholders Fund</td> <td>-182.57%</td> <td>-114.98%</td> <td>-9.84%</td> </tr> </tbody> </table>		1998	1999	2000	Net Profit After Tax	(2,505,403)	(3,455,757)	(328,039)	Return on Shareholders Fund	-182.57%	-114.98%	-9.84%												
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Return on Shareholders Fund	-182.57%	-114.98%	-9.84%																						
<p>Unit Trust of Fiji (Management) Limited (UTOF) Incorporated – 31 December 1976</p> <ul style="list-style-type: none"> Total number of employees: 7 	<p>The principal business activity of the company is the management of the Unit Trust of Fiji (UTOF) and to promote UTOF to the public for subscription or purchase. For the Financial Year Ending 30 September 2000, UTOF (Mgmt) Ltd had a before tax 4.82% return on shareholders funds. The highest ever return achieved by the company was 37.26% in 1998. This was achieved when there was very little competition in the market. UTOF (mgmt) Ltd has been able to maintain its financial performance for the past periods except for the year 2000, when the impact of the political events was felt. There was no dividends paid from the 2000 profits.</p> <table border="1"> <thead> <tr> <th></th> <th>1998</th> <th>1999</th> <th>2000</th> </tr> </thead> <tbody> <tr> <td>Net Profit After Tax</td> <td>169,392</td> <td>41,935</td> <td>9,727</td> </tr> <tr> <td>Tax Expense/ (Benefit)</td> <td>47,981</td> <td>23,943</td> <td>5,238</td> </tr> <tr> <td>Dividends</td> <td>375,000</td> <td>124,950</td> <td>0</td> </tr> <tr> <td>Return on Shareholders Fund</td> <td>29.03%</td> <td>13.95%</td> <td>3.14%</td> </tr> <tr> <td>Dividends Payout Ratio</td> <td>221.38%</td> <td>297.96%</td> <td>0.00%</td> </tr> </tbody> </table>		1998	1999	2000	Net Profit After Tax	169,392	41,935	9,727	Tax Expense/ (Benefit)	47,981	23,943	5,238	Dividends	375,000	124,950	0	Return on Shareholders Fund	29.03%	13.95%	3.14%	Dividends Payout Ratio	221.38%	297.96%	0.00%
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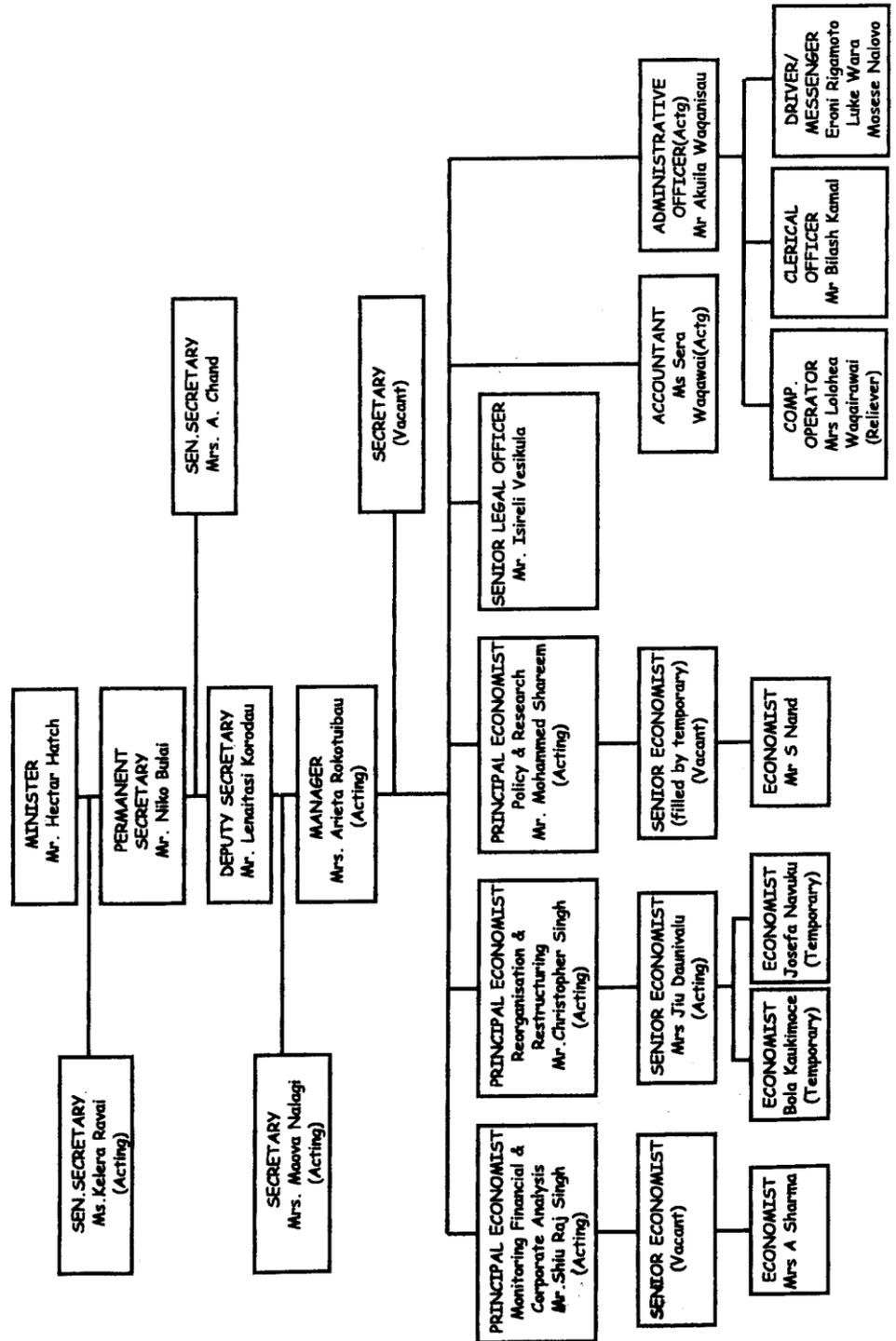
<p>Viti Corps Corporation Limited (VCCL) Incorporated – 29 November 1995</p> <ul style="list-style-type: none"> Total number of employees: 20 	<p>VCCL concentrates in the agricultural, aquacultural and livestock production. The financial performance of VCCL has been deteriorating since its inception. Due to recurring losses the company has not paid any taxes or dividends. The May 2000 event led to trade bans which had a great impact on the operations of the company.</p>												
<p>Yagara Pastoral Company Limited (YPCL) Incorporated – 16 March 1973</p> <ul style="list-style-type: none"> Total number of employees: 32 													
<p>Return on Shareholders Fund</p> <table border="1"> <thead> <tr> <th></th> <th>1998</th> <th>1999</th> <th>2000</th> </tr> </thead> <tbody> <tr> <td>Net Profit</td> <td>-840,073</td> <td>-645,641</td> <td>-598,773</td> </tr> <tr> <td></td> <td>-24.52%</td> <td>-21.86%</td> <td>-25.42%</td> </tr> </tbody> </table>		1998	1999	2000	Net Profit	-840,073	-645,641	-598,773		-24.52%	-21.86%	-25.42%	<p>YPCL's objective is to produce and supply quality beef for the Fiji meat market. YPCL had huge losses incurred till 1997 (\$282,444) but from 1998 it has started to make profits. No taxes have been paid since 1998. The company is still having accumulated losses of \$287,664 at the end of financial year. YPCL is achieving a positive return on shareholders funds from 1998 but the returns are still well below its cost of capital. If YPCL is able to maintain its performance as it is doing now it is expected that the entity will be able to achieve the desirable returns in future.</p>
	1998	1999	2000										
Net Profit	-840,073	-645,641	-598,773										
	-24.52%	-21.86%	-25.42%										
<p>Return on Shareholders Fund</p> <table border="1"> <thead> <tr> <th></th> <th>1998</th> <th>1999</th> <th>2000</th> </tr> </thead> <tbody> <tr> <td>Net Profit</td> <td>175,639</td> <td>239,642</td> <td>350,796</td> </tr> <tr> <td></td> <td>2.74%</td> <td>3.71%</td> <td>5.15%</td> </tr> </tbody> </table>		1998	1999	2000	Net Profit	175,639	239,642	350,796		2.74%	3.71%	5.15%	
	1998	1999	2000										
Net Profit	175,639	239,642	350,796										
	2.74%	3.71%	5.15%										

Commercial Statutory Authority		1998	1999	2000
Civil Aviation Authority of Fiji Islands (CAAFI) Incorporated – 27 March 1997 <ul style="list-style-type: none"> Total number of employees: 65 	CAAFI was declared a Commercial Statutory Authority on 3 April 1997. The principal activities of the Authority in its years of operations is licensing and surveying of Airports and Airlines, both from safety and security point of view. The Authority paid \$20 million as dividends in Year 1997 and declared further \$1.6million, which is still not paid.			
	Net Profit Return on Shareholders Fund	6,622,008 6.26%	10,890,187 16.52%	194,523 0.54%
Fiji Electricity Authority (FEA) Incorporated – 1 August 1966 <ul style="list-style-type: none"> Total number of employees: 955 	FEA's core business is the generation, transmission, distribution and sale of electricity. It maintains power supply systems on the islands of Viti Levu, Vanua Levu and Ovalau, which accounts for some 90% of the country's population. FEA was not paying its taxes, however, the Inland Revenue Department has clarified that Fiji Electricity Authority being a CSA is liable to pay taxes. The Authority has not paid any dividends yet.			
	Net Profit Return on Shareholders Fund	21,256,000 7.09%	18,069,000 5.68%	(4,911,000) -1.55%
Housing Authority (HA) Incorporated – <ul style="list-style-type: none"> Total number of employees: 144 	HA provides affordable housing through the development of land and construction of houses for sale and the financing of these properties. The Authority is exempted from paying tax and since its incorporation it has never paid dividends.			
	Net Profit Return On Shareholders FUND	160,000 -8.95%	(3,400,000) -63.62%	(432,000) -9.90%
Maritime & Ports Authority of Fiji (MPAF) Incorporated – 1 March 1998 <ul style="list-style-type: none"> Total number of employees: 66 	The principal activities of the Authority include providing and managing the port infrastructure and in regulating services within the declared ports. The financial performance of MPAF has declined to levels lower than that in its first year of operations. The company paid 25% of net profits as dividends from the accumulated profits of three years of operations.			

	1998	1999	2000
Net Profit After Tax	3,169,000	1,122,000	885,000
Tax	0	0	588,000
Return on Shareholders Fund	5.97%	2.07%	2.74%
Public Rental Board (PRB) Incorporated - 16 May 1989	PRB's core activities involve renting out of units to low income earning families, estate services, building projects and debt servicing. Since 1993, Government had paid to PRB rent subsidy for tenants who were ascertained as financially disadvantaged. PRB is exempted from paying Income Tax. At start up, PRB's net asset deficit was approximately \$7.5million. This net deficit increased to \$11 million as at December 2000 and this leads to negative shareholders fund.		
• Total number of employees: 57			
	1998	1999	2000
Net Profit	30,111	17,015	(599,628)
Return on Shareholders Fund	-0.26%	-0.15%	-1.78%

Appendix 7: Organisation Chart of Department of Public Enterprises

PUBLIC ENTERPRISES & PUBLIC SECTOR REFORM ORGANISATION CHART 2001



Appendix 8: Performance Assessment Forms

<i>Performance Assessment Form</i>	
Period Ending: 1 st April - 31 st March 2003	

PART 1: PRODUCTIVITY BONUS ASSESSMENT [Output/Result]

1. Personal Details

Full Name:
EDP Number:
Position:
Section/SBU:

2. Assessment of Results

KEY ACCOUNTABILITIES	TARGET	WEIGHT (%)	QTR 1 RESULT
1.			
2.			
3.			
4.			
5.			
Total for Quarter 1		100%	
Endorsement by Appraisee & Date:			

KEY ACCOUNTABILITIES	TARGET	WEIGHT (%)	QTR 2 RESULT
1.			
2.			
3.			
4.			
5.			
Total for Quarter 2		100%	
Endorsement by Appraisee & Date:			

KEY ACCOUNTABILITIES	TARGET	WEIGHT (%)	QTR 3 RESULT
1.			
2.			
3.			
4.			
5.			
Total for Quarter 3		100%	
Endorsement by Appraisee & Date:			

KEY ACCOUNTABILITIES	TARGET	WEIGHT (%)	QTR 4 RESULT
1.			
2.			
3.			
4.			
5.			
Total for Quarter 4		100%	
Endorsement by Appraisee & Date:			

3. **Overall 12 Month Employee Profile:**

Reviewing Officer's comment on ratings:

Reviewing Officer's Signature: _____ Date: _____

Employee's comment on ratings:

Employee's Signature: _____ Date: _____

4. **12-month Employee Results Profile**

CATEGORY	QTR 1	QTR 2	QTR 3	QTR 4	AVERAGE
EMPLOYEE RESULTS					
NATIONAL RESULTS					
DIVISIONAL RESULTS					

5. **Acknowledgement of Assessment:**

GM's comments:

GM's Signature: _____ Name: _____ Date: _____

Manager's
Signature: _____ Name: _____ Date: _____

Reviewing Officers
Signature : _____ Name: _____ Date: _____

Employee
Signature: _____ Name: _____ Date: _____

Appendix 8: Performance Assessment Form continued

<h2 style="margin: 0;">Performance Assessment Form</h2> <p style="margin: 0;">Period Ending: 1st April - 31st March 2003</p>	 <p style="margin: 0; font-size: small;">AN ATH COMPANY</p>
--	--

PART 2: SALARY REVIEW [Competency & Results]

1. Personal Details:

Full Name:
 EDP Number:
 Position:
 Section / SBU:

2. Assessment of Competency (See Competency / MQR Index):

	CORE COMPETENCIES	Current (Previous Yr.)	Weight (%)	Qtr 1	Qtr 2	Qtr 3	Qtr 4
1.	Customer Services Focus						
2.	Business / Financial Focus						
3.	Professional Attribute / Interpersonal Relationship						
4.	Managing Change						
5.	Job Expertise						
	<i>TOTAL:</i>		100%				

Note: a) Weighting depending on job.

3. Salary and Performance Profile:

3.1 Existing Salary: _____ Range: _____

3.2 Overall Employee Profile (for last 12months).

	Weight %	Qtr 1	Qtr 2	Qtr 3	Qtr 4	AVERAGE
Competency (total per quarter from No. 2 above / by 2)	50%					
Result Assessment (total per quarter from part 1, No. 2 / by 2)	50%					
TOTAL	100%					
RECOMMENDED SCORE for INCREASE						

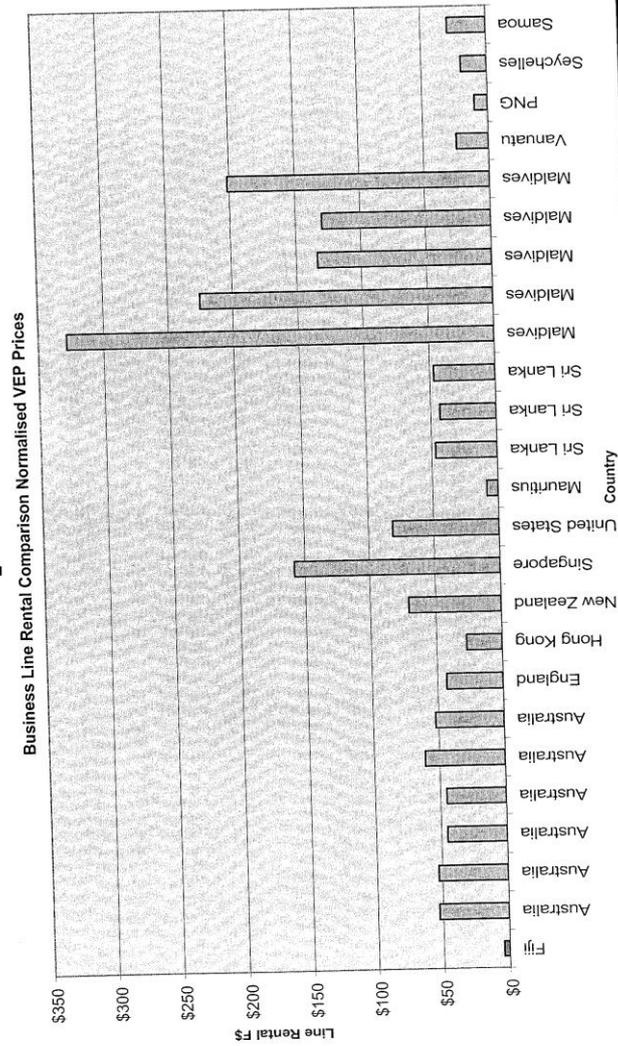
Note: Performance below 70% is not eligible for salary progression.

3.3 **Any major achievements/ innovative ideas/ design applications in the last 12months?**

Appendix 9: Existing Business Line Rental Comparison

The graph shows monthly business line rental charges in various countries. According to TFL management, some countries appear multiple times in the graph as there are a number of telecommunications providers in these countries that charge different business rental rates per month.

Existing Business Line Rental comparison



Presentation on Tariff Rebalancing
 Joe Mar – Managing Director TFL Group

Appendix 10: National Quality Action and Quality Action Teams

NATIONAL QUALITY COUNCIL

Date : 21/07/03
Time : 0900hrs.
Venue : Boardroom L8 Ganilau House

AGENDA

- 1.0 Welcome & Attendance
- 2.0 CVM – Quality Action Team (QAT) Reports
 - 2.1 Minimise Hassles & Eliminate Internal HasslesEugene/Taito
 - 2.2 Resolving Complaints in Provisioning & RestorationInoke/Winston
 - 2.3 Reduce Costs on Small & Medium CustomersIvon/Wilson
 - 2.4 Develop Customer Focussed Attitude.....Salote/Sakeasi
 - 2.5 Billing Team 1Taito/Norman
 - 2.6 Billing Team 2Eric/Sala
 - 2.7 Customer Value Management West 1Orisi/Pratap
 - 2.8 Customer Value Management West 2GP/Sala
 - 2.9 Customer Value Management NorthAmoe/Winston
CVM leaders are excused
- 3.0 Minutes
- 4.0 Telecom Operations Manuals
- 5.0 Business Measures – GMO, GMS&M, GMF, GMCS
- 6.0 Other QAT Reports
 - 6.1 Waitlist ManagementJosua
 - 6.2 GISMiller
 - 6.3 Recognition & RewardsSanjeu
 - 6.4 Debt Control Winston
- 7.0 Union
- 8.0 Other Matters

Note: All reports to be with me by 2pm Thursday 17/07/03.