

Impact of the nature & characteristics of organizations on non-financial performance measurement: the case of financial services industry

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ABSTRACT

Several studies have been devoted to examining management accounting (MA) practices in organisations, while few others examined the differences between management accounting practices in services and manufacturing organisations. However, most of these studies have examined management accounting practices irrespective of the nature and characteristics of organisations. Little is known about the impact of the difference in the nature of organisation on management accounting practices. Hence, this study investigates the impact of the nature and characteristics of organisations on management accounting practices, in particular on non-financial performance measurement (NFPM) practices in the banking sector. Twelve Banks have been selected in Finland, Sweden and Japan in order to explore the impact of the nature and characteristics of these institutions on management accounting practices. This study reveals that the nature and characteristics of organisation have a great impact on performance measurement (PM) practices in different banks, but the size does not have impact on performance measurement practices. The findings of this study generate some hypotheses, which would be helpful to make generalizations of the organisations to study contemporary management accounting practices. Moreover, as a result of the empirical findings, further research directions are also given at the end.

Keywords: Performance Measurement, Financial Institutions, Management Accounting, Finland, Sweden, Japan.

1. INTRODUCTION

The complexity of critical non-financial success factors such as quality service, customer satisfaction, etc., is emerging in the highly competitive financial industry, particularly the banking sector, as well as in other services and even in manufacturing organisations. As a result, measuring the performance of the emerging non-financial success factors requires special emphasis in this particular kind of service organisation. Although much has been written about the need for accurate measurement of multi-dimensional performance measures, and there are a number of studies concerning non-financial performance measurement, comparatively little is known about the role of management accounting (MA) in measuring non-financial performance measurement¹ in services and almost nothing in the banking sector. This study aims to investigate the impact of the nature/characteristics of organisations on non-financial (NF) as well as financial performance measurement in the highly competitive financial industry with particular reference to Finnish, Swedish and Japanese Banks.

The rest of this paper is structured as follows. A review of relevant literature is provided in the next section. This is followed by a presentation on the methodology employed in the study. Section four provides findings and analyses of the impact of organisation's characteristics on PM. Summary and conclusions are presented in the final section.

2. LITERATURE REVIEW

Despite the need for MA in the increasingly important service sector, review of the management accounting literature shows that the research in service organisations is far less than that in manufacturing. Some MA researchers demonstrate that performance measurement system as part of the wider management information system, and change of PM system relates to the changes of life cycle, external environment, business mission, strategy, etc. Ballantine et al. (1998) describe cost traceability², with reference to the service Process Type Theory of Silvestro et al. (1992), as harder in 'mass' and service 'shop' than 'professional' services.

Modell (1996) investigates the accounting control implications of various characteristically perceived organisations, based on the framework of Ansari (1977), in order to distinguish services from manufacturing. Modell also constitutes a framework for further research into the relative balance between formal and informal control and how this relates to the various service characteristics. According to Acton and Cotton (1997) however, there should be no fundamental difference between analyzing the costs for manufacturing support departments and the costs for the support activities of service organisations. Euske et al. (1998) provide a comprehensive approach for developing and applying activity-based PM system to different services processes within organisations; they discuss the different applicability of services processes, support as well as operational, from manufacturing

¹ There is not an overall acceptable definition of non-financial performance, and MA literature lacks a clear distinction between the terms financial and non-financial indicators (MacArthur, 1996; Gul and Chia, 1994; Bruns and McKinnon, 1993). Although, without the use of a clear definition of the distinction between financial and non-financial indicators is often left to the common understanding, to the qualitative information that is not expressed in terms of numerical metric, with non-financial numerical expressions (see Morissette, 1998). However, the uses of financial and non-financial performances are considered both supplementary and complementary which may themselves become divergent and convergent (receptively) reason of practice, i.e. PM (discuss in theoretical framework about the impact of economic condition on non-financial PM).

² Costing and PM systems are integrated within wider management information systems (see Brignall, 1997).

organisations. Likewise, other studies (Hussain and Kock, 1994; Hussain and Gunasekaran, 2001) discuss the need for ABC in service organisations and, particularly, in the financial industry.

Ansari et al. (1997) particularly emphasize the issues that are related to measuring and managing costs particularly in services. Very few studies are concerned with MA in service shop and mass in particular. The service classification scheme of Fitzgerald et al. (1991) is one of the most often cited studies of PM in services. It identifies six dimensions of performance (as part of 'results' and 'determinants' factors). It also identifies three service delivery process types which primarily affect 'how to measure performance' as well as costing systems.

A review of relevant literature on MA and performance measures, especially non-financial PM and their use in services, helped to establish the notion of the nature/characteristics of organisation in this particular kind of service organisation. The particularities of the business, i.e. size, kind and type, determine the range of possible change and adaptation to the economic climate (Karimi et al., 1996; Long, 1995; Thompson, 1967). Fitzgerald et al., (1991) classify three service process types. According to Mills and Sweeting, (1988), service costing differs from one type to another. Brignall et al., (1991) found that cost traceability varies systematically, as does the PM system, in the three different service process/types (mass, shop and professional). There has, so far, not been found a single report available on non-financial performance measurement in the financial industry. Brignall (1997) argues that, on the basis of the Process Type Theory of Silvestro et al. (1992) and Fitzgerald et al. (1991), business strategy should link with effective PM systems. However, some well-documented predictions about the relationship of the external environmental and the need of managers' for financial and non-financial information (Modell 1996 and 1995; Brignall et al. 1992; Brignall and Modell 2000; Cobb et al. 1995)

Cobb et al., (1995) demonstrated the activities, like bad loans, that initiated changes in management accounting systems (MAS) in a multinational bank and therefore, the kind and size of financial institutions impact on the practice of non-financial MA measures³. The service/production processes of banks, as in this study, differ from other service types and substantially differ from manufacturing organisations. According to Mills and Morris (1986), customers of service organisations are indispensable to the production activities. In fact, operation of banks depends on the rules/guidelines of either the Central Bank (CB) or, in the case of cooperative structures 'Associations'. However, some non-financial indicators (NFI) can easily be identified in manufacturing organisations but are harder to identify in service organisations. A manufacturing organisation can judge the quality of its products by asking customers about their 'tangible' attributes, but for a service organisation (a bank) it is difficult to assess the quality of its services because of their intangibility and transitory nature. Smith, (1998) has pointed out that "measurement of the quality of service is notoriously difficult."

The nature of business, i.e. banking, is the biggest influencing factor (amongst other characteristics) on PM practice. Banks have to function under the regulation of central bank, which determine their policy in order to stabilize financial market and strengthen economic condition. As a result, banks cannot make long-term plan for performance measurement in the organisation. Considering the difficulty with long-term plan and strategy, the objectives of non-financial performance (NFP) are jeopardized, and accordingly, the PM practice hampered. When organisations are not able to make long-term plans then it is hard to enhance non-financial PM, because NFP are meant to achieve competitive advantages of business and that depends on the long-term strategy and vision of organisations.

³ According to service process type, the BFI are considered one type. Therefore, the importance of 'type' does not hold particular significance in this study unless special characteristics create the need for discussion.

The nature of business also has an effect on the banks' service function and their PM. Good banks management like to provide quality services but the intangibility of the service creates difficulty for them, like any other service organisations, to measure it. In this regard Smith (1998) argument is worth eliciting, according to which the quality measurement in services is notoriously difficult. Though Ansari et al. (1997) made an effort to demonstrate the quality measurement techniques in services. The characteristics of banks and financial institutions also create impact on the quality of services. If the producer of 'moment of truth' does not properly provide it, than it is rather difficult to manage and measure (Biema and Greenwald 1997, discuss more about these matters in their study).

Furthermore, considering the economic conditions, banks have faced more difficulty during last recession than other business organisations (Niemelä, 1999). The result of such uncertain economic conditions forced management to direct their attention more to improve and measure financial performance than to non-financial performance. Thus the business kind has to be taken into account. In a turmoil of economic conditions, banks are not only affected by the central bank's regulation but also by the amount of deposit as well as pay back from borrowers that fall down by adverse economic conditions, since these are the major inputs and outputs of banks. The results of such slow down affect banks more quickly than other business organisations that could keep producing the tangible products by making use of its human and other resources in the future. In this respect Garnaut (1998) words, "Recession turn good banks into bad banks" is worth mentioning. It is established that strategy is closely linked with the long-term plans of top management, and in this case the kind of business has effect on long-term planning. The possible strategy that management can establish in a given time, the objectives to carry them out until the fulfillment of chosen strategies, all have significant impact on non-financial performance measurement.

Biema and Greenwald, (1997) elicit a number of issues that illustrate the problems of PM in services. Adaptation to economic pressures can also influence service processes. For example, a manufacturing organisation, operating in contemporary slam economic conditions, can use its idle time to produce goods as stock for future sales but the same procedure is not possible to maintained in services because of their perishable nature/character. In considering the adverse effect of economic conditions on the financial industry, where economic survival becomes the burning question for BFI, NFP and its measurement will be jeopardized. Seemingly there the characteristics of the business and the nature of its services/production affect PM. Thus, considering the impact of the kind and size of the business organisation on PM (this study includes different kinds and sizes of BFI), the following propositions/research questions are to be found:

PP: How do the nature and particularities/characteristics of banks/financial institutions (including size and type) affect performance measurement?
According to the above mentioned literature it is assumed that, the practice of performance measurement will vary according to (a) size and (b) type of services/organisations. The nature of the financial industry and the characteristics of organisations will impact accordingly on performance measurement. In this case, the impact of central bank and association on performance measurement is also studied.

3. THE RESEARCH METHODOLOGY

The field study consists of a survey of the relevant literature, semi-structured interviews of individuals, as well as a collection of secondary sources of information. Twelve banks in Finland, Sweden and Japan were studied for the empirical part of this research using multiple case study principles⁴ in order to explore the impact of the nature/characteristics and particularities of organisations on PM. Four different BFI were selected in each country including commercial, co-operatives and savings banks. The research strategy was the same in every case.

The multiple cases approach, especially the study of different types of banks, provides an opportunity to examine the affect in different environments. The cross-country study help to demonstrate the rationale for examining the impact of the factor on PM practices in three different countries (Finland, Sweden and Japan)⁵. The similar method of study and common mode of analysis used in this cross-case comparison enabled the researchers to meaningfully consider the role of the nature of organisations on PM in banks in different circumstances⁶. The objective of this study is not to compare like with like but to study the aforementioned impact in banks in different environments, as Selznick (1957) viewed organisational structures as an adaptive vehicle shaped in reaction to the characteristics and commitments of participants as well as to the influences and constraints from external environment

Senior management and executives of the accounting and accounting-related departments/sections⁷ were interviewed in the corporate offices of the financial institutions studied. Some interviews held with senior management in corporate offices revealed the need to discuss certain matters further with middle and junior management who also provided valuable information to clarify the practice of MA in each bank. It is to be remembered that the analysis of the cases are mainly based on interview with the Chief Executives Officers (CEOs) and seniors management responsible for accounting and its related matters (unless specified otherwise).

⁴ According to Yin (1991), the evidence from multiples cases is often considered more compelling, and the overall study is therefore regarded as being robust. Thus, the decision to undertake multiple-case studies cannot be taken lightly. Every case should serve a specific purpose within the overall scope of inquiry. Here, a major insight is to consider multiple cases as one would consider multiple experiments, that is, to follow a 'replication' logic. The logic underlying the use of multiple-case studies is the same, i.e., it either (a) predicts similar results (a literal replication), (b) produces contrary results but for predictable reasons (a theoretical replication), or (c) both (some cases are 'literal' and the others are 'theoretical' replication).

⁵ Miles and Huberman (1994) point out the internal validity/credibility/authenticity of research, which is not monolithic; the classic, measurement-oriented view differentiates face, content, convergent, discriminate and predictive validity. More helpful for our purposes are the types of understanding that may emerge from a qualitative study: descriptive (what happened in specific situations), interpretive (what it meant to the people involved), theoretical (concepts and their relationships, used to explain actions and meanings), and evaluative (judgments of the worth or value of actions and meanings). Yin (1991) states that internal validity is for explanatory and not for descriptive or exploratory studies, establishing a casual relationship whereby certain conditions are shown to lead other conditions, as distinguished from spurious relationships.

⁶ As Yin (1991) argues, external validity (establishing the domain to which a study's findings can be generalized) uses replication login in multiple-case studies. Critics typically state that single cases offer a poor basis for generalizing, but case studies rely on analytical generalization in which the investigator is striving to generalize a particular set of results to some broader theory. The problem lies in the very notion of generalizing to other case studies. Instead, an analyst should try to generalize findings to 'theory'. This is analogous to the way a scientist generalizes from experimental results to theory, although the scientist does not attempt to select 'representative' experiments.

⁷ Accounting related work is done in different banks not only under the 'accounting' name but are also called by some other names/section such as group accounting, finance, and in, one case, 'corporate research'. (It is a customary in this bank to supply all the information for research through the 'corporate research' section.)

It is a generally held belief that Japanese organisations, including banks, are conservative, but the active and sincere co-operation of the professors of Nihon University in Tokyo made it possible to accomplish the study of the Japanese banks in less than two months. In this study, the Swedish banks were also very co-operative. When the request letters were sent to the Swedish banks, with a reference to the Director of Service Research Centre (CTF) of Karlstad University, two banks' executives accepted the first request; scheduled interviews in three months' time. Two other banks' executives accepted the second request, although the interview times needed to be changed a few times for emergencies and necessary meetings of executives. In contrast, the study of Finnish banks took a longer time than expected. Two banks accepted the request and offered interviews in a few months' time. A third bank agreed to provide information in five months' time, but the fourth one provided the requested interview seven months after the first request.

Altogether, more than thirty-five hours were spent interviewing banks' executives/management. The time for each meeting lasted approximately between one to two hours, and there were two meetings in each case. In the Japanese cases, a longer time was needed than for the Finnish and Swedish cases because of the need for translation and interpretation. In almost all the cases, inter-divisional help was needed for some of the questions and inquiries that were about the organisation as a whole. It is perhaps not important for the main issue of this study but its importance is due to the fact that, as Robert and Scapens (1985) said, accounting provides a structure of meaning which is drawn up in organisations and is itself the outcome of organisational activities.

In addition to the interviews, secondary sources of information were also significant to this study; annual reports, booklets, archival data and special publications on related issues have been taken into consideration. The secondary sources became particularly useful in comparing CEOs and management's objectives with the actual practices of MA systems. In many cases, the differences between management's written objectives and actual practice are identified and discussed. Some information was desired but was too sensitive for management to disclose, so the interviewer refrained from requesting such disclosure. In some cases, sensitive information was received, but disclosure was not permitted. Therefore, some factors have not been discussed to avoid unauthorized disclosure of information, and that interferes with consistent logical expression, because 'research is logical and not logistical' (Yin, 1991).

4. FINDINGS & ANALYSIS

4.1. FINNISH BANKS

4.1.1 Impact of The Nature & Characteristics Of Organisation Finnish Banks

Finnish banks operate under the control of the central bank 'Bank of Finland' (BOF). BOF makes the main decisions on interest rate/pricing, lending, reserve requirement, etc. BOF's decisions naturally depend on the economic conditions, and nowadays on the European Central Bank's (ECB) direction. The central bank's control over banks is common in every country, and Finland is not an exception. The central bank's control and regulation over banks in any country depend on inflation, unemployment, and the overall macro-economic considerations. In stable economic conditions the central bank's regulation may be less, but the turmoil and instability increase the degree of regulation. During the unstable economic conditions and recession in the 1990s, BOF needed to regulate banks operations frequently. A major step of devaluing the Finnish mark (two times, which was nearly 25%) was even needed along with the normal function and control over interest rate and issue of

debt. In a highly regulatory environment banks are unable to make long-term plans in which the non-financial PM would clearly be emphasized. The NFP and its measurement depend on the competitive strategy of the organisation, which again depend on long-term plans. The absence and incapability of making long-term plans hinders any possibility to measure NFP and in almost all Finnish banks. If the regulation and interference over commercial and other banks would be less then banks may become able to form and establish long-term plan and strategy, in which non-financial PM may receive its due importance. To the contrary NFP and its measurement would be interfered with by the frequent regulatory principle of central bank, because they are dependent on the central bank (DiMaggio and Powell 1983, Scott 1987).

In the case of cooperative banks, the association of banks plays the same role as the central bank, since member banks have to cooperate and function within the guidelines of the association. In this case the greater independence of cooperative banks should have increased the possibility to practice and exercise the methods of management accounting systems of their own choice. To the contrary, the association's strict regulations and their prescribed MAS might not enable banks to practice the MAS that they like. In studied cooperative banks, it is realised that the banks that experiences less interference managed to improve their financial condition and achieved greater economic efficiency, hence improving the awareness of NFP and its measurement. Similarly, in banks that operate under an umbrella a public authority, less attention is given to NFP and their measurement than in commercial banks.

4.1.2. Comparative Analysis Of The Impact In Four Finnish Banks

The nature of business or say characteristic of banks has great influence on non-financial PM in Finnish bank. Due to their nature, commercial banks face more competition than cooperative ones. Management of cooperative banks are not too concerned about losing business, because of customers' stakes that tie to the banks, even if they are not satisfied with the services provided. Thus, management of these banks do not feel a great need to improve and measure NFP. While commercial banks do not enjoy such advantages and hence they need to make use of every possible means to satisfy customers, therefore they need to practice MA to measure and improve NFP. However, a bank that is under the umbrella of public organisation does not face high competition in the local market, and hence, it is not concerned with improving NFP and their measurement. Commercial, and large cooperative banks (who work likes high street banks) do think of maintaining corporate social responsibility along with the awareness of improving and measuring financial performances. These two types of banks are comparatively more effective on NFP and their measurement due to their particular nature of business and operation. In short, non-financial MA measurement depends on the kind of operation, but not on the size of banks, as it was argued by Brignall et al (1991), Karimi et al. (1996).

The adverse economic conditions of the last decade created huge pressures on commercial and cooperative banks to make profit in order to recover bad loans & debts. The recessional period is seemingly getting over, but banks are still more concerned about improving financial performance due to the uncertain economic conditions and to achieve strategic advantages in the competitive market. In considering the effect of economic conditions, the characteristics of financial institutions have higher degrees of responsiveness as it varies from one organisation to the other (Granlund and Lukka, 1998). The specialized financial houses are less affected by adverse economic condition than commercial and savings/cooperative banks. However, banks that function under public authority are not severely affected by economic conditions, thus there is no adverse effect of bad loans. Therefore, they are not a in a great need to focus on FP and its measurement, though NFP and their measurement is still not enhanced for some other reasons.

Considering the operating functions, banks are different from manufacturing and even from other service organisations. All banks in Finland need to operate within the guidelines of Bank of Finland (BOF), like in any other country. In addition to the need to abide to guidelines of BOF, cooperatives banks also need to follow the guidelines of the Association of Cooperative Banks (Osuuspankkiryhmä). They also need to be aware of the guidelines that are prescribed by this central association. In this case, the Association of Cooperative Banks affects the use and practice of MAS. Hence, the effect on non-financial PM is greater in cooperative banks than commercial one. However, banks that function under a public organisation need to follow the guidelines of the parent organisation. Therefore, its PM practice is also affected by the parent organisation's direction.

It is to be noted also that due to the nature of business and the control of the central bank or Osuuspankkiryhmä creates obstacles for CEOs to establish long-term strategic plans, in which the objective of non-financial PM could be implemented. It is a generally held belief that non-financial PM is for long-term competitive advantage but it is not an easy task to make long term plans in the banking sector due to the frequent interference from the regulatory body. In fact, it is be noted that those commercial and large savings & cooperative banks are having greater opportunity to gather knowledge by hiring people, or buying knowledge from consultants. In this respect large competitive organisations are having more benefits of MAS than comparatively smaller, traditional and less competitive organisations. In fact, state-supported banks is aware of possible EU integration but are not concerned of losing its own business, because they would not face high competition in EU due to their special characteristics.

Table 1
Degree of the Effect in Four Finnish Banks

Characteristics/Nature of Banks	Bank A	Bank B	Bank C	Bank D	Total
Degree of Effect on PM	3	4	4	3	14

Note: 4 = Highest effect/Most influential, 3 = High influence/Effective, 2 = Reasonably effective/Moderate influence, 1 = Low influence/Slightly effective

4.2 SWEDISH BANKS

4.2.1. Impact of the Nature & Characteristics of Organisation in Swedish Banks

The problem with pricing is common in some Swedish banks. The central bank makes interest rate decisions. Therefore, management believes it is not possible to make long-term plans in the financial service industry. A top executive thinks, "it is not hard to make a plan for non-financial PM, but there is not any particular criterion available to follow up the plan." Another executive adds, "We like to measure NFP, accordingly we make plans and do measure them, but we do not know how our non-financial PM can be measured." In this case, the characteristics of the bank should be taken into consideration as they are affecting non-financial PM, as previously acknowledged by Brignall and Modell (2000).

Different aspects of MAS are planned in Swedish banks with the use of computerized technology, and the planning of MAS is 'very useful' to top management except for pricing and long-term financial planning (which are interfered with by the central bank). It is to be noted that management feels that long-term planning is not possible because of the central bank's regulation of the financial market. Banks depend on and has to operate under the central bank's regulation, thus they could not make long-term plans in which NFP and their

measurement are derived. Therefore, the influence of the central bank's regulation on non-financial PM is to be acknowledged here.

However one executive did not agree with the notion that NFP benefit from long-term plans, and believes that short-term plans are part of that of a longer period. Thus, the characteristics of the organisation perhaps give management the opportunity to think alike since banks usually function under the guidelines of a central bank that regulates the financial market according to the macro-economic condition of the economy.

Nonetheless, as a result of Sveriges Riskbank's (Sweden's central bank) control over banks, management of most banks are unable to make long-term plans. The intangible nature of service also influences management to be less aware of the quality of service as it is difficult to measure (Smith, 1998; Biema and Greenwald, 1997). According to Gummesson's (1994) triplicate of performance, nature forces management to offer cheaper, quicker service to increase productivity in order to improve profitability of services.⁸ Therefore, the difficulty that stems from quality service restrains management from thinking of providing it in order to satisfy customers.

It can be concluded that, nature of business is one of the most influential factor affecting performance measurement in Swedish banks. The practice of MA in non-financial PM is highly influenced by the nature of operation due to the banks being under the guidance of the central bank. Thus their pricing, long-term planning for competitive advantages, etc. are influenced by the central bank's control over them. In fact, the objective of non-financial PM reveals the real motives of management to measure NFP, i.e. they are mostly profit oriented and raised due to the nature of banking business (and for some other reasons that are beyond the scope of this study).

4.2.2. Comparative Analysis of the Impact in Four Swedish Banks

The characteristic of the banking business has huge impact on non-financial PM in Swedish banks. The characteristics/nature of service forces management to think of improving financial performance. The financial nature of the business means efforts that increase productivity receives more management attention. The service nature that obliges management to improve FP in the business is driven by economic uncertainty of Swedish economy in recent years. The turmoil of economic condition force management to improve survival capacity, and therefore, as long as the uncertainty would continue they would focus more on improving financial efficiency and less on NF ones.

The studied Swedish banks are commercial in operational nature and limited companies, thus due to this business type they are bound to improve profitability in order to maximize the shareholders' value and that create huge pressures on management to improve financial performance. However, banks have faced more difficulties (in comparison to other industries) during last decade, which resulted in many banks being unable to make profit. Due to these severe difficulties in the financial industry and because of the organisational type, commercial banks are forced to improve share value for the credibility of management. In order to recover the financial loss, excessive focus is put on improving financial performance; as a result non-financial indicators and their measurement are jeopardized.

All Swedish BFI have to function under the central bank (SRB), therefore the regulation and control of central bank naturally affects non-financial PM in the banks. It is a generally held belief that NFP are the tools of competitive advantages of a business and it is

⁸ Quality services in BFI tend to give the material benefit of smoother and quicker transactions, reliability, safety, etc., rather than the usability of products from which customers traditionally determine their perceived value for money from manufacturing goods/products.

derived in long-term plans and objectives. However, since the long-term plans and objectives are not easy to make in banks, the target of long-term plans and NFP and their measurement are jeopardized. In this case, the effect of central bank's control on non-financial PM is to be acknowledged.

Table 2
Degree of the Effect in Four Swedish Banks

Characteristics/Nature of Organisations	Bank A	Bank B	Bank C	Bank D	Total
Degree of Effect on PM	3	3	4	4	14

Note: 4 = Highest effect/Most influential, 3 = High influence/Effective, 2 = Reasonably effective/Moderate influence, 1 = Low influence/Slightly effective

4.3 JAPANESE BANKS

4.3.1. Impact of the Nature & Characteristics of Organisation in Japanese Banks

Most aspects of management accounting plans are successfully implemented in studied Japanese banks, but according to the executives of the banks, there are still difficulties that exist. Some of these difficulties are due to the central bank interference, furthermore the turmoil within the financial industry also creating difficulty, especially with long-term plans. In addition, the reluctance of personnel to change old systems to new ones is another reason for the banks facing difficulty. A bank's top management considers that working for social well-being is a way to incorporate them into the society, which helps to improve the scope of business and the bank's goodwill in a given population. However, it is not necessary to measure these aspects regularly due to the familiarity of management with communities. The nature of cooperative bank (close to customers) is the reason of thinking alike as the impact of particularities is described in Scott (1987), Karimi et al. (1996). In practice, NFP are the mean to increase profitability (from the objective of non-financial PM point of view).

According to an executive of one bank, customers do not want to pay more in the competitive era, and therefore, cheaper service can make customers satisfied. Their expectation partly supportive in considering the advantage of business type, because a bank has less corporate customers and more individual members to whom service cost is a factor, but it would perhaps not be the case in dealing with corporate customers. Therefore, the influence of competition and nature of services, or say business type, on non-financial PM is to be acknowledged here (Kerremans et. 1991, Johnson and Kaplan 1987, Lee 1992, Srikanth 1992, among others).

Top management in some banks do not think of the need of any formal package of any method to measure NFP, but rather think to solve the problem on time. This tendency is perhaps not new, such views, attitudes, beliefs, are common in most Japanese organisations. However, the size and type of business also give opportunity for management to think of improving the financial performance and not to concentrate much on improving and measuring NFP. Management strongly believes that customers will remain with the bank because of their interest in the bank as stakeholders. As a result, customers' satisfaction is not getting particular emphasis as they are seen more as stakeholders rather than customers. So it is clear that the business type and nature is giving opportunity for managers to not think much about some non-financial aspects like customer satisfaction, quality service, etc., and think of profitability. In this case the particularities of organisational impact on PM are to be

acknowledged (Silvestro 1992, Fitzgerald et al. 1991, Brignall 1992). In fact, commitment is the only non-financial aspect that receives management's attention. It is thought that if a promise is made to customers then it has to be fulfilled; otherwise individual customers may feel that it is a careless behaviour directed towards them. Similarly, this principle is influenced by the type of the bank (cooperative); hence management is bound to maintain its promises to stakeholders for the sake of business profit.

The central bank's control over banks in any nation/state is common, but its control over banks becomes more frequent when the economic condition becomes unstable, i.e. the uncertainties of economic condition increase the needs of CB to control banks more frequently. Relatively, since the Japanese economy is going through more difficult time than Finnish and Swedish, the controls of CB over banks are very frequent and it impinges on non-financial PM. In addition to CB's control over ordinary/commercial banks, the cooperative banks are also bound to follow the guidelines of Central Association of Cooperative Banks (Shinkin). The prescribed guidelines of Shinkin have effect on some important aspects like pricing, long-term planning, etc. As a result, non-financial PM in cooperative banks is also effected by Shinkin's role in addition to the control of Bank of Japan.

4.3.2. Comparative Analysis of the Impact in Four Japanese Banks

The adverse condition of Japanese economy in post World War II negatively affected non-financial PM in Japanese banks. The effect of immense turmoil in the whole financial industry has even created a need for the government to interfere. The financial industry faced more difficulty than any other sector, as stated by Garnaut (1998) "recession turns good banks into bad banks". In this case, the nature of financial industry itself is a cause of the effect, though the effect differs from one kind to the other. For example, the practice of Non-financial MA measures in cooperative banks is affected more than commercial banks. The characteristics of cooperative banks have somehow become the reason of management's high attention to FPM, because the cooperative banks are close to their customers who are the stakeholders of banks as well. The adverse economic conditions create turmoil in financial industry and result in frequent interference by the central bank. As a result the condition of Japanese financial industry went down to such levels that the structural change is required for this industry in addition to BOJ's regular control. It is to be noted, the cooperative banks' operation normally not only controlled by the BOJ but the association also has prescribed rule to be abided, which increase the degree of impacts on the overall performance measures in this kind of banks. In short, the particularities/ characteristics of organisation do impinge on non-financial PM in banks, that demonstrated by Karimi et al (1996), Long (1995), Fitzgerald et al (1991) and in many other studies.

Table 3
Degree of the Effect in Four Japanese Banks

Characteristics/Nature of Organisations	Bank A	Bank B	Bank C	Bank D	Total
Degree of Effect on PM	3	2	3	4	12

Note: 4 = Highest effect/Most influential, 3 = High influence/Effective, 2 = Reasonably effective/Moderate influence, 1 = Low influence/Slightly effective

4.4. Comparative Analysis of the Effect in the Three Countries

Non-financial PM is considered in Finnish, Swedish and Japanese banks, but the usefulness of MAS and the attention management pay measuring NFP is far less than that given to financial PM. The characteristic of service is one of the most influential factors (Karimi, 1996; Fitzgerald et al., 1991; Brignall, 1997) in the concerned Finnish and Swedish banks. The nature of financial industry (service) itself creates huge difficulty on measuring some NFP, like quality, customer satisfaction, etc. However, bank type is having a significant impact on PM. For example, the cooperative banks in Finland and Japan rather prefer to improve and measure financial performances, which divert management's attention to measure and improve NFP, because of their close connection with customers. In this case, commercial banks in the three countries are in great need to measure NFP because of their need to satisfy customers and communities at large in order to compete with counterparts.

Banks function under the guidelines of central Banks and the economic turmoil creates need for CB to control banks frequently. Finnish and Japanese economies were in such great turmoil in the recent past, hence the central banks in both countries interfered regularly and that in effect had its adverse impact on non-financial. Non-financial performance measurement that is embedded in long-term strategy is normally meant to gain competitive advantages and corporate social responsibility (CSR), but the frequent interference of the CBs does not give opportunity for ordinary banks to establish long-term strategy, in which the non-financial PM receive due attention. Therefore, the improvement of NFP as well as their measurement in both Finnish and Japanese banks is adversely affected more than in their Swedish counterparts. In the case of cooperative banks, member banks have to operate under the principles of Association. Thus, cooperative banks' activities are effected double fold (both by CB and Association) compared to ordinary commercial banks. Moreover, a Finnish bank's involvement with state enterprise creates need to adhere to the guidelines of the government's organisation. That influences the overall performances, including NF ones, of the bank. Japanese banks are not in such a situation but Japanese business institutions are obviously chained with socio-political organisation, as Inoue (1996) states, "the general business characteristics of the U.S. environment differ, sometimes drastically, from those in Japan", but they do not have much impact on Non-financial MA measures.

Therefore it can be concluded that PM practices differ from one bank to another for different reasons, but the impact of the characteristics/nature of the bank seems to be greater in Finnish and Swedish banks than in the comparatively less effected Japanese ones.

Table 4
Comparative Degree of the Effect in Three Countries' Banks

Characteristics/Nature of Organisations	Effect in Three Countries Banks		
	Finnish	Swedish	Japanese
Degree of effect	14	14	12

5. SUMMARY & CONCLUSIONS

5.1 A Summary of Research Results

Results of the field study of the twelve banks seem to support the notion that the nature of the organisation influences management to measure performances in this particular services industry. The degree of effect of this factor varies between different banks, but the

collective figure of the degree of effect enables us to compare and find the overall effect on PM practice. However, the cross-country comparisons make it possible to find the differences in three countries and circumstances. Multiple cases in three countries made possible to replicate the propositions many times in different circumstances, e.g. whether and how the nature of organisation affect non-financial PM in different environments.

This study was conducted in a time when three countries (as well as the world as a whole) just faced an economic slow-down. During last recessionary period, there were huge pressures on banks to overcome the problem that were associated with bad economic conditions (for example recovering bad loans, reducing service costs, etc). These adverse economic conditions have forced management to pay more attention to improve and measure financial performance rather than to focus NF ones. The management of eleven out of twelve banks was aware of paying more attention to strengthen the financial condition of the business because of recent economic recession. One financial institution is not facing difficulty because of its particular characteristics (umbrella organisation of state), and hence, it does not pay more attention to improve and measure NFP.

In the proposition it is mentioned that particularities of business, like, size, type, etc, determine the range of possible impacts on performance measurement. Therefore, the practice of non-financial PM would vary according to the nature of service and characteristics of organisations, i.e. (a) size and (b) types of services/organisations (Fitzgerald et al. 1991, Mills and Sweeting 1988, Brignall et al. 1991, among other). The empirical findings of this study identify that the type of organisation has impact on non-financial PM but the size of organisation does not have such a significant impact on non-financial PM in banks. Commercial banks are more concerned about the opinion of shareholders, thus they are concerned about the overall improvement of business both financial and non-financial performances. However, management of cooperative banks, whose customers are the stakeholders of banks, is not very concerned about improving the quality of services. They think customers are the stakeholders of business and hence whatever the quality services provided customers would remain with the banks. Consequently management of cooperative banks believes it is better to think of improving financial performances rather than NFP and their measurement. Nonetheless, management of cooperatives banks want to improve NFP but do not feel the necessity of non-financial PM due to management's close ties with the customers/stakeholders of the banks. However, a bank that is under an umbrella organisation of a state enterprise does not think much about the improvement, and specially measurement of NFP, for its close relation with some unique customers. According to management, customers are to be satisfied with services but their satisfaction is always not necessary to be measured. In this case, the commercial, city and savings banks are the ones who need most to think of improving and measuring NFP because of their need to compete with counterparts by satisfying customers and providing better quality services.

It seems that the size of a bank has no significant impact on improving and measuring non-financial performance. Both small and large sized banks seem to pay similar degree of attention to measuring and improving NFP (providing all other factors remain constant). But the particularities have an effect on non-financial PM as argued by Fitzgerald et al. (1991), Brignall (1991), Biema and Greenwald (1997), among others. The empirical findings of this study reveal that, every bank's non-financial PM is in one way or other influenced by the regulation of the respective central bank. In addition to the CB's control the cooperatives association's prescribed guidelines affect MA practices in cooperative banks (mostly on long-term planning for which non-financial PM receives due attention and pricing). Most of banks' management thinks, it is important to have the opportunity to set fair prices to satisfy customers in competitive market, but they are unable to do it because of CB's control (prescribed interest rate). However, since there is not much to do with pricing of services,

they rather put high emphasis on reducing the production cost which somehow hamper the effort to provide better service to make customer satisfy, as well as CSRs (Biema and Greenwald, 1997).

In seven out of the twelve banks non-financial PM is highly affected by the control and regulations of CBs/Associations, while in the other five banks non-financial PM is reasonably affected. The cooperative banks are affected double fold as they are dependent on both the CB and Association (DiMaggio and Powell 1983, Scott 1987)). It is in fact to be noted that the economic conditions determine the degree of control central banks exercise over banks. The more the uncertain and unstable the economic conditions are, the more the control and interference. In contrast stability in economic conditions decreases central banks control over banks. Thus it can be concluded that the less the interference of CB/Association the better the possibility for management to practice MAS is according to the bank's strategy and objective, and vice versa.

5.2 Implications of the Results

It is important to emphasize that the unique characteristics of banks create difficulty for generalizing the findings to be applied to whole financial services sector. More examinations of other services in the sector and the significant factor that influence the management accounting practices in these services is needed.

The empirical evidences of this study reveal that the characteristics of banks in different ways influence their non-financial performance measurement. The nature of the service organisation itself is a reason of the difficulty encountered by management in measuring some NFP (Smith 1998, Biema and Greenwald 1997). However, the characteristics of banks also have an impact on the issue concerned. Banks have to operate under the guidelines of central banks, which effectively has a major impact on business decisions like pricing, long-term plan, etc. Moreover, the kind/type of the bank also has an effect on the issue concerned. Commercial, city, savings (that work like a high street) banks are more aware of providing quality services to ensure customers' satisfaction in a highly competitive market. On the other hand, cooperative banks are more close to their customers and henceforth they are not as concerned as their commercial counterparts about measuring NFP, though they are aware of improving NFP.

Furthermore, cooperative banks have to adhere to the rules and regulations of cooperative association. That in addition to the control of CB in effect creates excess regulatory pressures which impact on management's long-term plans and strategy to improve and measure NFP. The high street banks however face higher competition that creates need for them to improve and measure NFP. To the contrary, the banks that works under an umbrella of public organisation face less competition, thus they do not pay great attention to improving and measuring NFP.

It has to be mentioned that even though most organisations were adversely affected by the unstable conditions, banks experienced the worst difficulty (Niemelä 1999). Also, all organisations are subject to competition and its impact on the quality of the service provided, irrespective of whether the organisation is a service or manufacturing one (Srinivasan 1997, Morissette 1998, Bhimani and Brimson 1989, among other). However, the control impact of the central bank does not apply to other organisations. It is argued that the impact of business associations in other sectors may have similar role as that of the central bank, though most business associations are for strategic benefits, advantages, etc. The associations attempt to ensure the efficiency of members' organisation either from a financial point of view or other strategic advantages. Nonetheless, in considering the impact of the control factor seems to be

less or more same in different service organisations and long as they are one way or other dependent on regulatory body (DiMaggio and Powell, 1983, and Scott, 1987).

Moreover, the size of organisation seems to have no impact on non-financial PM, because both small and large sized organisation appeared to have awareness of the need improve and measure NFP. However, the excessive focus on FPM is also realised in both large and small sized organisation for the uncertainty of economic condition. Therefore, it can be concluded that ordinary banks (such as high street, commercial, savings banks) are in a greater need to improve and measure NFP than the specialized banks (such as cooperative and government owned). The higher the degree of control that is exercised by the regulatory body, the less the possibility to improve as well as measure NFP, due to the inability to make strategic plans and have own control over the future operation/decision of the business.

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