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PREFACE

Welcome to the second edition of *Carpè Diem*. I am honoured to be asked to write the preface for our journal which aims to provide an opportunity for our students to showcase both high quality and high impact academic work from those who will form the next generation of Business and Information Systems professionals. From its beginnings, this has been an ambitious task full of challenges and risk but also a sign of both the maturity and courage evident within both students and faculty to embark on this journey.

It is often overwhelming for students to publicly present for the first time their own work with pride and confidence. In the past students' work was completed, assessed and returned and that was usually the end output of their efforts. The reality is that this no longer needs to be the case. *Carpè Diem* provides a channel to communicate to the academic community and to the professions, the outstanding works of our students' academic writings. Not only will it give students an opportunity to make an impact but it will give all readers a high level of understanding of the quality work that our students are capable of producing as they focus on their professional and academic futures.

The initiative has been full of excitement and anticipation that has paid off with the release of our 2nd edition. The continuing success of *Carpe Diem* also demonstrates the value that the Australian Catholic University places on its students' work and the commitment of its staff in Business and Information Systems to make it happen. The team that has launched and continued with this project, along with those students who have made such a solid contribution, should take great pride in their efforts to date. I encourage all concerned to maintain the momentum and welcome those students from other universities who have published their work in this journal.

Dr Robert Compton

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NOTE FROM THE EDITOR

One of the objectives of Carpe Diem is to promote an interest in research at an undergraduate level. Having said this, I began to wonder what undergraduate business and informatics students thought of or understood when uttering the word "research". I asked this question to a number of business students that were wandering around the corridors of the School of Business & Informatics attempting to obtain a glimpse of their exam results. Some pictured nutty professors, test tubes in a laboratory, some thought of the process of finding cures for deadly diseases, others thought about books and a large degree of reading about things, the process of finding out about or gathering information on things that happen in society and so forth. These images certainly constitute some aspects of research, but what was more evident was that the mention of the word "research" appeared to be a little intimidating to them. When considering the meaning of the word research especially in a business sense, it is seen as a way of identifying and examining problems encountered in the business environment that require a solution. It is a process made up of activities that involve inquiry, examination, experimentation and investigation that need to be conducted objectively and critically. Research allows employees and managers to supplement the use of common sense with a scientific method in order to make the right decisions in solving the operational and strategic problems encountered in the workplace. Research however, is not just about solving problems it is also important in providing insight into phenomenon that occur within the workplace. It is therefore important for students to appreciate that research is not something to be afraid of, but to be embraced as a tool that will be instrumental in supporting them in their future roles as managers. Carpe Diem plays an important role in driving a change in the mindset of students on the subject of research. In this volume, students have researched and/or examined some issues, such as bullying in the workplace (a very topical issue), the use of management control systems to maintain competitive advantage and ethics in accounting. So seize this moment and embrace research with the offerings of this second volume!

Volume 2 No.1 2006

COLUMNS AND TRENDS

Bullying from a Human Resource Development Perspective.

Mark McInnes

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Introduction

Bullying is one challenge currently facing human resource professionals. Bullying can encompass a myriad of actions that could make defining the problem difficult. However, Simpson (2004, quoting McMahon) defines bullying according to the core issue, namely the abuse of power or control over another individual. Whether it is the office pranks, taking credit for another's work, or a manager that mistreats an individual, all instances have a commonality: the abuse of power or control over another.

To quantify the magnitude of this issue, Swanwick (2004) presents statistics that indicate over half of all working Australians have at one time been the victims of workplace bullying.

Further to this, in New Zealand, bullying is four times more common than sexual harassment and is responsible for over 30% of workplace stress (Swanwick, 2004). However, the subjects of the bullying are not the only victims. Solano (2003) discusses the economic side of the issue: aside from lost productivity, there are costs of lawsuits against businesses as a result of bullying. In the United States, claims have a 57% chance of success against a business, with an average compensation payout of US\$121,545 (Solano, 2003).

Theoretical Models

Models exist that can be used to identify and implement strategies to combat bullying in the workplace. For instance, Mento's (2002) model provides for a twelve-step strategy to manage a change process within the organisation. In addition, Yorks (2005) presents the Human Resource Development (HDR) pyramid to describe three levels in which (HDR) operates, namely strategic, tactical and operational levels.

To illustrate how Mento's change process (2002) can be applied to rectify the problem of bullying, this paper will allocate the process steps to the relevant levels within Yorks' pyramid (2005), assigning the steps and objectives of the process to individuals within the organisation, and describe how human resource development could implement each stage of the change process. The following discussion is organised around each of Mento's twelve process steps:

1. Idea Generation

Whilst allowing for input from most employees within a delayed organisation, the first stage would need to be considered under the strategic banner of sourcing information from environmental scanning and assuring the issue at hand is one of relevance to the direction and success of the organisation. Willison (2005) describes the primary role of the Human Resource Department as being to motivate the workforce toward achieving quality output, to make continual improvements, and to foster innovation.

In relationship to the issue at hand, this would involve creating the channels and environment conducive to employees offering their opinions and suggestions toward developing a solution to the problem of bullying. A potential issue here is that of the role of the manager / leader in the process. At the core of the issue is the abuse of power. It would be imperative that the control available to managers does not stifle any communications on the issue of bullying.

2. Analysing organisational structure and the need for change

This step can be described as manoeuvring and defining individuals as strategists, implementers and recipients, and as such, would be on the tactical level of the HDR pyramid. As opposed to the conceptual facet of the strategic sector, the tactical level involves taking steps to implement the change. In describing the changes undertaken, and success experienced at Sensis, Elsey (2005) describes a project undertaken, called 'Living Sensis'. This involved aligning the company's achievements and the type of people working for them.

With regard to bullying, this would require identifying those people in a position of power or control, and making them aware of the issues of bullying, and identifying those individuals who are likely to be the victims, and providing support and acknowledgement of the issue. One key area that would be highlighted by analysis would be that of recruitment. This would allow screening of potential employees, and the communication of values at the induction stage.

3. Analysing the climate for change

Here the organisation itself is evaluated to see what stresses the change is likely to cause, and whether the organisation can affect the change. This involves an audit by the human resource team to assess the values within the organisation, and noting any deficiencies that may be apparent. McManus (2003) notes that to change the culture of an organisation, messages being communicated need to change, namely through interpersonal discussions.

In respect to the problem of bullying, it needs to be a topic that is discussed frequently. Peers within the organisation need to discuss bullying as a current issue, and reduce the pressure on others not to report infringements. If an individual notes that it is not accepted among the group, they will not use it as a tactic to exercise their power.

4. Developing a change plan

Mento (2002) describes how this step of the process requires evaluating the power dynamics within the organisation. This step would be more of a strategic level for HDR. Acknowledgement of the issue amongst the identified power brokers of the organisation would go a long way toward the development of a change plan.

The construction of a bullying policy would be centrepiece in this effort. Ishmael (2002) describes how policy should clearly define what constitutes bullying, what punishments are applicable and setting processes to conducting investigations into allegations of bullying.

5. Identifying a sponsor

Allocating a sponsor involves finding and cultivating a champion to the cause within the organisation, someone to manage and drive the initiative. This would be a tactical section of the HDR process. The selection of a person, or team, needs to encompass a few criteria, including power and accessibility. Effectiveness would be improved if the champion chosen is in a powerful position within the organisation, as the core motivation of a bully, as noted previously, is exercising power.

This could be negated if the patron of the cause has greater power. However, care needs to be taken in selecting a leader. Lubit (2002) describes the attribute of 'destructive narcissism', where an individual has extreme self-confidence and hunger for power, which in itself can lead to bullying - not the most appropriate attributes for a sponsor.

6. Preparing the target audience

While this process would be driven by a tactical motive, the actions of carrying out the process would be an operational section of the HDR pyramid. It is in this step where resistance to change is addressed. As far as enabling bullying to be reported and dealt with, Sweeney (2005) in specific light of Enron like mismanagement, suggest that employees be empowered by their organisation to become 'whistle-blowers' through the provision of a hotline number for sounding the alarm.

Sweeney continues by explaining that this has been taken one step further in the United States, with a financial regulator set-up to allow whistle blowers to anonymously inform authorities of inappropriate deals. As far as bullying is concerned, this could be a contact within the organisation (namely your champion) that will take on-board any bullying issues and ensure they are investigated and dealt with.

7. Creating the cultural fit

This would require the front line of the human resource team to ensure tools like performance management etc. are tailored to enable the change to ensue. Integration of qualitative measures within performance management systems that encompass the issue of power-abuse would enable measurement and identification of issues within the organisation.

It should be noted that due to the implicit nature of bullying, this would work best where 360 degree feedback is sought, which may allow the potential victims of bullying to air their concerns.

8. Creating change teams

This step is concerned with creating teams to champion the idea and foster the spirit of the change required. The activity required would involve a tactical initiative by the human resource development team. Conger (2004) describes the qualities required for a team or leader that will develop the cause, namely self-confidence, achievement drive, communication skills and competencies.

This team would need to communicate the issue, create an air of confidence regarding the abolishment of bullying as a practice, and foremost, back up their claims by ensuring bullying matters are dealt with accordingly.

9. Small wins and motivation

Rewarding desired behaviour and celebrating small wins would be an operational section of the pyramid. Williams (2002) describes different types of performance management, as performance management is a key to a rewards system. One of these areas is performance management as a system for managing organisational performance, suitable for widespread problems like bullying.

Simply noting in communications to staff that there have been 'zero' instances of reported bullying in the last reporting period may be sufficient celebration.

10. Constantly and strategically communicate the change

Whilst this step would be carried out at an operational level of the HDR process aiming to ensure the target audience do listen. Sallie-Dosunmu (2001) describes how being proactive is a key toward good communication. This involves preparing employees with information prior to the implementation of policy so they can be prepared themselves.

Communication about the bullying problem, and its potential ramifications need to flow to both the managers and subordinates within the organisation. This communication may take the form of policy documents, value statements or notices on Intranets.

11. Measuring the process of change

Nearing the end of Mento's (2002) model, this step involves measuring the effectiveness of the change, and noting if any further modifications are required. This would fall under the strategic level of the pyramid, as any shortfalls to the process would need to be evaluated at the top end of the process.

As noted earlier, performance management may equip the organisation with the tools necessary for measuring the qualitative outcomes of the process.

12. Integrating lessons learned by the experience

This is where feedback on the success and failures of the process occur, an integral part of the learning organisation at a strategic level. Johnson (2001) provides that a zero-tolerance policy can assist in managing undesirable behaviour. This author describes how constant communication of the policy and counselling would assist in changing the environment that fosters bullying.

The policy on bullying therefore should have a target of total abolishment of bullying, and any shortfalls in reaching this objective would require revision of the process and its effectiveness.

Conclusion

By integrating a change process with the issue of bullying, it has been shown that there are many steps that can be taken toward making a safe and productive work environment for all staff.

On their own, individual steps do not make the process work; the entire human resource development machine needs to be activated to ensure delivery of the message of zero tolerance of bullying, victim reassurance and the ability to track progress of the solution in the future.

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ESSAYS

Are accountants trained to appreciate the distinction between what is ethically acceptable and what is unacceptable?

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"To educate a person in mind and not in morals is to educate a menace to society."

Theodore Roosevelt

Accounting is a complex activity with significant ethical implications. These have changed tremendously in the last century. Generally, ethical and moral values provide a foundation to society on how to function, live and work within the society (Gilbert 1996).

Therefore, a noticeable decline in the standards of ethics in accounting is among the growing concerns of modern societies. As seen through corporate corruptions such as Enron, without an ethical foundation, organizations, as well as related accounting firms, can collapse.

The purpose of ethics in accounting is to direct individuals to abide by a code of conduct that help increase and maintain public confidence in their products and services (Gaa 1996, p1). Today the accounting profession and corporate world are under pressure to adopt a more socially responsible approach to conduct business. The question to be asked is clear. What happened to the profession that 60 years ago was asked to be the watchdog for public interest?

In order to properly examine the assignment's topic and its probable origins, this research paper will first of all examine some recent corporate scandals that resulted from involved ethical misbehavior of accounting bodies and the possible consequences. In addition, it will evaluate

the sources and effectiveness of ethics education in accounting profession and throw the spotlight on the numerous ethical issues accountants find themselves embroiled in. Lastly, it will look at the extent to what accountants are able to reason ethically.

The accounting profession has a long history of contributions to the efficient functioning of business operations, the capital market system, and the economy in general (Smith 2003, p47). Regretfully, it has come under intense attack and scrutiny with respect to its involvement with multiple financial reporting scandals (Metzger 2004, p22). It is becoming increasingly obvious that too many managers have ignored proper accounting procedures, such as effectively abandoning a true and fair view of their corporate operations and financial position, in order to maximize their own self-interest. Sadly, in several cases, both internal accountant and auditors have been willing to cooperate. As a result, the accounting profession faces not only disgrace on behalf of its members but also a potential loss of its reputation and integrity.

The 1990's and the current decade will be remembered for eroding professional standards, lapses of moral judgment, and manipulation of reported earnings. It appears that the accounting profession has not been able to reduce the use of financial reporting tricks by company management. As a consequence, its' rules have not been able to effectively protect investors and creditors and created doubts about its professionalism.

Not too long ago, accounting firms were tough on accounting standards and unafraid of its customers. To illustrate, in the 1970's, Arthur Wyatt, long-time partner of Arthur Andersen, made his firm resign from a large railroad engagement because the firm disagreed with a particular accounting principle being used. Later, Arthur Andersen resigned from all of its savings and loan clients, again because it disagreed with an accounting principle applied in the industry (Levitt 2004, p24). Not surprisingly, after both decisions, Arthur Andersen saw an increase in audit business.

However, Arthur Andersen changed a lot in the subsequent 30 years. In December 2001, Enron admitted that it overstated its profits by \$600 million over the past few years. Its auditor, Arthur Andersen, was forced to dissolve as a firm because of its role in this corporate scandal (Coleman et al 2004, p136). Its demise clearly led to public distrust of accountants.

Arthur Andersen was similarly involved in other business failures. WorldCom, a big telecommunication group, admitted in June 2001 that it had "mistakenly" booked \$3.8 billion of expenses as capital expenditure. These restatements changed profits to losses for the previous five quarters (Coleman et al 2004, p.137). It appears that Arthur Andersen did not exercise prudent professional judgment when putting the interests of its clients ahead of the investing public's need for adequate and fair disclosure.

Ironically, corporations like Enron or WorldCom had been heavy lobbyists of Congress for preferential treatment, while at the same time top executives squandered investors' wealth for personal gain.

Consequently, events such as audit failures and accounting scandals are driving current changes within the profession, as well as scholarly activity in accounting ethics.

In the light of growing concern over low moral standards of some accountants, an increasing number of academics are suggesting that the education system should bear some of the blame. In addition, there is a need to reexamine the type of educational system that produces accounting professionals who, consciously or otherwise, appear to act unethically (Stanga & Turpen 1991, p739).

It is apparent, though, that ethics is not being given the prominence in the classrooms, as it requires (Gaa & Thorne 2004, p1). In addition, a study of accounting curriculum commissioned by PricewaterhouseCoopers in 2003 identifies that "ethics is not a consistent, integrated part of the education of most accounting students (www.pwcglobal.com).

Furthermore, there is a low emphasis on ethics even in the US CPA exam, indicating that new accounting professionals may have had little exposure to ethics matters before entering the market place. For example, in the US which has the strongest economy in the world, 26 states require CPAs to pass an ethics exam or course either before sitting for the Uniform CPA Examination or as a condition of certification. On the other hand, only 10 states mandate

continuing training on ethics and professional responsibility (Romal & Hibscheiler 2004, p59).

These factors would indicate that accountants are not sufficiently trained. This may partly explain why many of them apparently do not see a clear distinction between ethical and unethical issues.

There have been calls for an increasing level of ethics education in the accounting curriculum (Esmond-Kiger 2004, p43). Smith (1979) claimed that the leadership of the accounting profession, in practice and in the universities, had a responsibility to inculcate ethical behavior and personal integrity in practitioners and students. In 1989, the AICPA added its voices to the demand for ethics to become an integral part of US accounting education. Since then ethics has become a common element in many US business programs using textbook cases, case problems and articles (Esmond-Kiger 2004, p44). However, in Australia the teaching of business ethics is still fairly rare.

Nevertheless, accounting education now, more than ever, is striving to find effective methods of preparing the next generation of accounting professionals (Robson et al 2003, p26). Williams (2002) claims that accounting programs over the years have become largely technical in nature due to more complex regulations imposed on the profession. University accounting programs have been amended to accommodate the explosion of technical standards students need to understand (Madison 2002, p24). In other words, a major challenge for the educators is to teach technical material as well as introduce future accountants to the ethical standards of the profession in an effective and efficient manner, while developing an ethical sensitivity in the students. This is no small challenge when resource bases are shrinking in the university sector.

It should be a priority, after so many corporate collapses, to educate accounting students about the importance of ethical behavior and the penalties for ethical failures.

There is, however, another disturbing issue to be emphasised. Although many accounting educators recognize the need to increase the ethical sensitivity of prospective accountants and have the desire and the interest to increase their emphasis of ethics in the classroom, they are not properly trained in the disciplines of ethics and philosophy to effectively carry out the task. Those who are unfamiliar with ethics research may not even be certain that ethics can be taught, where to find resources to develop their curriculum, or of which approaches may be most effective in developing ethical reasoning in their students (Gaa & Thorne 2004, p4).

Today most major accounting textbooks contain examples of ethical dilemmas and guidelines for resolving them in the workplace. Students can spend time in the class discussing earnings management, client confidentiality or auditor independence, but often ignore the ethical dimensions of these activities. To effect a positive change at classroom level there must be an emphasis on "why" as well as "how" and "what" of these activities (Robson et al 2003, p28).

Some US accounting programs have added separate ethics research classes to their curricula. Accounting firms partner with accounting academics to create useful, realistic classroom cases (Robson et al 2003, p29). This approach has benefited both parties. Students profit greatly from analyzing current issues, while enhancing their learning capabilities. Companies, in turn, can verify the actions taken and identify possible issues and improvements for future use.

The question still remains: can improved ethics training in universities prevent accounting and corporate misbehavior? Educational background is obviously not the only factor to be considered here if accountants in the years immediately following their graduation become blind to alarming ethical violations and conflicts of interest.

Perhaps part of the answer lies in the cultures of the major accounting firms. If a company is unethical, it is unlikely that its employees will feel the need to be moral. To illustrate, former Arthur Andersen partner Barbara Ley Toffler alleged that Andersen's "rotten culture" caused the firm's downfall. Firstly, an emphasis on revenue growth, reinforced by the firm's promotion and compensation policies, led auditors to cave into their client's demands. Secondly, loyalty to the firm was the characteristic valued most highly in Andersen employees; loyalty to the public was rarely mentioned (Clikeman 2003, p81).

The Andersen experience may explain how even the most ethical person, absorbed by an unethical corporate culture, may find it difficult to distinguish between what is appropriate

behavior and what is questionable behavior. People develop their ethical values throughout life. Depending on context, an individual's ethics are subject to change negatively or positively (Esmond-Kiger 2004, p43). In other words, accounting educators may influence the attitudes and ethical beliefs of young accountants before they start their careers, but the influence is likely to fade over time, without positive reinforcement.

If accountants are to maintain an ethical stance, form and corporate culture should allow and encourage, for example, whistle blowers to come forward (Fombrun & Foss 2004, p286). Such people could be catalysts for better ethical behavior. Early identification of ethical lapses can save firms' vast sums fines and legal fees, as well as preserve a company's reputation.

Some firms and companies today appear to be pursuing methods for ensuring high ethical standards, such as hiring an independent chief ethics officer who has the mandate to monitor the ethical behavior of managers and executives (Bunting 2005, p60).

An ethics specialist can serve as a resource when ethical issues arise. Regular attendance at ethics seminars and the development of genuine expertise on issues arising from application of the Code of Professional Responsibility can help all employees recognize professional responsibility issues that, in some cases, are not obvious. In this way, ethics issues that arise can be solved appropriately (Romal & Hibscheweiler 2004, p61).

It is apparent, though, that accountants frequently encounter ethical problems, which put their integrity and independence to the test. Creative accounting is the issue, which first springs to mind when accounting ethics is mentioned (Bambton 1999, p207). Generally it results from companies trying to meet or beat the expectations of analysts in order to grow market capitalization. Accountants simply "make up the numbers" to meet the company's desired outcome. As a result, companies fail to show a full and accurate picture of a company's performance and position, the value of the firm may be eroded, and shareholders will lose confidence to further invest

Arthur Levitt, former chairman of the US Securities and Exchange Commission, identified five of the more popular creative accounting techniques – "big bath" restructuring charges, creative acquisition accounting, "cookie jar reserves, "immaterial" misapplications of accounting principles, and the premature recognition of revenue (www.pwchlobal.com). Ethical problems also exist in allocating resources, protecting client's interests and enhancing public image (Australian Accountant 1995, p29).

Moreover, competitive fee pressures and corporate cultures driven by "today's share price" are just two more reasons why the current business environment presents greater challenges to accountants to make appropriate ethical decisions. Young accountants may face problems relating to deadlines and budgets while trying to maintain ethical standards.

Accountants in management roles encounter problems in the presentation of financial reports or peer pressure to act against their better judgment for the organization. At this level, ethical dilemmas may involve insider trading, inaccurate disclosure of financial information, or the application of an inappropriate accounting policy (Derocher 2004, p2).

Internal auditors are another group that needs to maintain its professional integrity. Ethical issues may arise as they try to balance different roles, such as being an employee, being an independent reviewer of operations and management efficiency and lastly, being a part of representing the interest and image of the organization (Australian Accountant 1995, p30).

Therefore, questions of public versus private interest and management pressure often involve conflicting roles. In 1995, ASCPA conducted a survey that identified a range of ethical issues that accountants encounter in practice. 1500 respondents encountered a total of 6593 ethical incidents (see Appendix 1).

However, there is something very important to be stressed at this point. 10 years ago the accounting profession was warned about the deficiency in ethical awareness of the practitioners. Perhaps now, after yet more corporate collapses, the profession will learn to take preventive rather than corrective actions.

The regulatory and control measures available to the profession are expressed in its code of

professional conduct that provides a minimum norm of ethical behavior for accountants (www.icaa.org.au). Unfortunately, the 1995 ASCPA survey revealed that many accountants did not make frequent use of the code. Therefore, more educational measures need to be put in place to ensure that ethical standards are maintained (Australian Accountant 1995, p31).

After the collapse of HIH insurance in 2001 the ICAA made 28 recommendations to improve the discipline of its members, improve audits and encourage accountants and others to report unethical behavior (Buffini 2003, p5). Accounting firms would no longer be allowed to have a long-term audit relationship with a single company. The cosy relationship that existed between Arthur Andersen and HIH can give no comfort to the accounting profession.

Although the professional bodies can promote the integrity of their members, it is the individual who must uphold his or her own standard of behavior. What matters above all is the character or virtue of the accountant or auditor, as one cannot change a person's ethics just by focussing on rules of professional behaviour (Swinson 2002, p66).

Individual accountants choose what actions they will perform, based in part on the values that hold priority for them. (Gaa & Thorne 2004, p2). Several research findings have shown that cultural differences can affect moral judgment (Venezia 2005, p200). In other words, culture forms the foundation for ethical behavior and determines what is ethical and what is considered unethical. Cultural differences thus play a major role in the ethical reasoning of accountants. In addition, accountants' ethical reasoning is associated with gender, age, years of employment, political orientation and education (Libby & Thorne 2003, p45).

The process of reasoning that underlies an accountant's decision is therefore a complex issue. Accounting professionals should understand the link between personal ethics on one hand, and motivation and commitment to others on the other.

A major goal of the accounting professional is to provide understandable, reliable and transparent financial information for decision makers. This role is vital to the society and its economy. The profession always has the task of ensuring that its members function with integrity objectivity and independence to maintain accounting's reputation.

Furthermore, the most important strategic goal of this decade for companies will be to persuade customers, employees, shareholders, and suppliers that they are dealing with a firm that has an ethical culture (Francis 2005, p17). Finally, the collapse of Enron and the demise of Arthur Andersen was a shock for the Australian as well as US business community. People who were trusted betrayed the interests of the people to whom they were accountable. It is timely now for accountants to learn that it is vitally important to understand the likely ethical consequences of their actions.

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Appendix 1

The AISPA survey

Respondents were asked to rank the various ethical problems in order of importance (Australian Accountant, 1995, p. 31).

- Client proposal for tax evasion (83.3%)
- Client proposal to manipulate financial statements (80.2%)
- Conflict of interest (79.3%)

- Presenting financial information in the most proper manner so as not to deceive users (76.3%)
- Failure to maintain technical competence in the discharge of one's duties (71.3%)
- Coping with superior's instructions to carry out unethical acts (70.7%)
- The difficulty of admitting mistakes by oneself (66.7%)
- Using inside information for personal gain (63.8%)
- Maintaining an adequate degree of confidentiality (63.6%)
- Receiving unreasonable favors and gifts and the unethical solicitation of professional work (54%).

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Michaela Hynkova has completed her Bachelor of Business (Accounting major) in November 2005. Currently, she is enrolled in Masters of Commerce in Business at the Macquarie University and she is hoping to complete the course next year. She always had a passion for writing of any kind, and so she is very pleased that her work was selected to be published in Carpe Diem. This essay was submitted for the 2005 CPA Ethics Essay Competition. She truly hopes that the readers will find her essay interesting. Well, carpe diem, everyone.

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Volume 2 No.1 2006

ESSAYS

The Influences on Academic Articles: A Case Study

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Academic journal articles draw on multiple sources in their attempt to build knowledge in their particular discipline. Knowledge is advanced through building on, and extending the work of previous academics. In some cases, journal articles also challenge the work of other academics and set out to challenge what others have sought to establish.

The aim of this essay is to identify and profile five academic journal articles that have contributed to an academic journal article that have contributed to an academic journal article in the consumer behaviour literature. In particular, the contribution that each article makes to "knowledge" evident in the chosen article will be identified. The chosen article is Childers and Rao's "The Influence of Familial and Peer-based Reference Groups on Consumer Decisions" (Journal of Consumer Research 1992, 9(2)).

Keywords: *Consumer Behaviour, Advertising, Culture, Brand, Marketing*

Literature Review

The five articles which appear to have substantially influenced Childers and Rao (1992) are: McCracken (1989), McCracken (1987), Hirschman (1986), and Gardner and Levy (1955). The chosen academic article by Childers and Rao (1992) principally examines Bearden and Etzel's theory, regarding the influence peers have on product and brand decisions, integrated differences and reference groups. The later two authors look at luxuries vs. necessities, including private and public consumed goods. McCracken (1989) also examines peer and referential influences on consumer decision making, explaining that advertising serves as an

instrument of meaning transfer. McCracken based this article on his previous work, "Advertising: Meaning or Information" (1987), in which he argues that information and meaning based models, explains the consumer processes in decision making and the extent to which culture is played out in goods and services. The presumption is that products have created symbolism. Hirschman (1986) has argued that meaning and information can be broken down into three respective subsystems: creative, managerial and communications. Her findings are an extension of the product and the brand attitudes illustrated by Gardner and Levy (1955) that both simplify the above theories and give reasoning for modern day perceptions and attitudes.

As noted, Childers and Rao's work (1992) is an extension of Bearden and Etzel's (1982) study on the influence peers have on a product and brand decision, integrated differences and reference group influence. If drawing on the McCracken (1989), the largest reference group that influences consumer's decisions is celebrity endorsers. Childers and Rao go further than this by addressing cross culture influences, intergenerational transfers, consumption patterns and peer influences on individuals. In addition, the concepts of Bourne's (1957) two elements of product conspicuousness was applied: luxuries – unlike necessities, not owned by everybody and thus tend to be relatively conspicuous; circumstance of consumption – where 4 types of product emerge from classification (publicly consumed luxuries, publicly consumed necessities, privately consumed luxuries and privately consumed necessities).

Such concepts have particular relevance to McCracken's article: they represent cultural foundations, which are incorporated into both consumption and motivation for using endorsement. We can draw the following conclusions based on these concepts. The purchase decision for luxuries and necessities will be based on a relatively high peer influence. Publicly consumed products, regarding brand choice will attract a relatively high familial influence and the publicly consumed luxuries when being consumed are susceptible to relatively high peer influence. Public necessities however, are weak in terms of product and brand influence. Privately consumed products, regarding brand choice will attract relatively high familial influence. Private luxuries are not observed by others during consumption and therefore peer influence is weak in brand reference. Private necessities have a weak product and brand influence; however they have a strong nuclear and extended family influence (Childers & Rao, 1992).

Childers and Rao (1992) and McCracken (1989) articles have similarities in that they both argue that consumer behaviour is influenced by reference groups for self appraisal. In addition, individuals who are admired or who belong to a group to which other individuals can aspire to exercise an influence on information processing formation and purchase behaviour. Consumers will also act in a manner in which they identify with Bearden and Etzel's theory (quoted in Childers and Rao 1992).

In his paper on celebrity endorsement and cultural foundations, Grant McCracken draws on and inter relates his theories regarding these with another article he had written previously, "Advertising: Meaning or Information" (1987) to demonstrate theories used and applied to modern advertising.

In his 1989 article, McCracken addresses whether celebrity endorsements are a feature of modern marketing, whether the endorsement process depends upon the symbolic meaning transfers to the consumer and to determine conditions under which the message sender or source is persuasive. The literature examines communication and provides an explanation of meaning and information (the basis for McCracken's previous article). Such communication of information and meaning are expressed through 'expertness' and 'familiarity'.

The idea is that celebrity endorsement and advertising serves as an instrument of meaning transfer. Transfer begins with the adviser who then identifies cultural meanings within the product. The findings involve mostly meaning, rather than information when McCracken's argued in his previous article. These include the following: effectiveness depends on the meaning brought to the endorsement process; and distinction of status, class, gender and age as well as personalities and lifestyle types are represented in the pool of celebrities.

McCracken came to the conclusions listed above by studying both the information and meaning based models of consumption. As the instrument used was in fact the model of consumption, it follows a perspective that the world of goods is wholly consisted of cultural construction and

that culture is constantly being played out in goods (McCracken 1987). The information and meaning based models of consumption can also be found in Hirschman's work (1986). She argues that product symbolism can be related to the information processing model, where individuals respond to the stimuli of advertising. The stimuli then create a symbol of meaning for the consumer about the product.

The purpose of Hirschman's article was to both extend prior ideas on product symbolism in novel directions, and to establish whether there are communication subsystems which function to provide information about products to consumers. Focusing on the latter, parallels can be drawn between Hirschman and McCracken in terms of the following theories. Hirschman stated that: communications sub systems originate product concepts; managerial subsystems function to mass produce and distribute selected products; and that communications subsystems function to provide information about products to consumers.

All of the above indirectly use the information and meaning based models to create meanings in the consumer's mind. Based on this information, it allows choice based on perceived benefits to be made by consumers as McCracken stated previously (Hirschman 1986). Similarly, Hirschman stated that communicating idiosyncratic interpretations to other consumers is a form of interpersonal communication and is an intangible attribute. In addition, consumers can control a substantial amount of symbolic meaning through interpersonal communication, where they define a novel social meaning for an existing product. However in Hirschman's findings (1986), a link in theories between all articles can be identified particularly between McCracken, Hirschman and Gardner and Levy. These theories argue that creators of a utilitarian product are likely to be more consumer orientated and aesthetic products will cause consumer's reaction to be less frequently sought during the selection and development process. However, when products are in their final form, the consumer's are likely to be less able to predict their reaction to these products in advance of experiencing them. Therefore according to Hirschman, selecting aesthetic products for commercial production will see managerial specialists rely primarily on their own intuitive response to the creator and their ideas (Hirschman 1986). Consumers in turn can control a substantial amount of symbolic meaning through interpersonal communication, where they define a novel meaning for an existing product (Hirschman 1986)

When researching aesthetics and ways of problem solving as listed previously in Hirschman's article, it should aim to assist in making progress, with having particular goals and attitudes of product and brand (Gardner and Levy 1955). Hirschman has based her arguments on the issues addressed by both Gardner and Levy (1955). These include exploring what a consumer's attitude is towards a product, particularly their concept of brand, some of the more functional issues a manufacturer and advertising people should face in getting beyond such apparent aims and what they can do about it.

The concepts applied in this article (1955) are generic amongst all articles listed and used, giving early indication of arguments and foundations of theory on which the subsequent authors base their ideas. These concepts indicate that there is a range of variables that may interfere with goals, such as products with low costs sought. The product dimensions include characters of the product emerging with importance and responsibility to influence people. Throughout time, it is concluded that the task of management within marketing, include setting goals that communicate ideas (Gardner and Levy 1955). Management must also differentiate their product for different market segments. Once research is complete, managers are then able to use informed judgement and make decisions. The findings of this article are also generic, in the sense that it effectively evaluates the findings and theories of the arguments listed above in one simple paragraph. This is, that, a brand name is more than the label employed to differentiate between manufacturers. It is both symbolic and a representation of ideas and attributes. This should represent and communicate to people rhythmic quality, personality and convey meanings which have been created by the marketing process (Gardner and Levy 1955).

All this is reflected in the article by Childers and Rao (1992), academic research has lead to a more in depth understanding of attributes that image of a product creates as predicted by Gardner and Levy (1955). We can conclude that modern marketing has used endorsements featuring both celebrities and reference groups to manipulate product and brand images. In turn the perception of the consumer is influenced in order to make favourable purchase decisions for luxuries and necessities. If examined in depth, it is certain that these familial and peer based reference groups allow us, as either the consumer or reference group to transfer

meanings and information and thus further creating product symbolism, opinions and brand perception before making the final purchase. We can also conclude from the above, that in modern society, product association is not simply based on advertising, but rather marketing as a whole.

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APPENDICES - ARTICLE SUMMARIES

Appendix One:

Title: The Influence of familial and peer based reference groups on consumer decisions.

Names of Authors:

Terry L. Childers

Akshay R. Rao

Name of Journal in which it appears: Journal of consumer research

Volume Number, Year of Edition in which article appears: Volume 19, September 1992

Name of Publisher: Journal of Consumer Research

Country of Publication: United States of America

URL: www.acu.edu.au – Library, E - journal data base

Refereed Journal: None

Questions Addressed:

- Extension of study performed by Bearden and Etzel – What influence peers have on product and brand decision, integrated differences and reference group influence?
- Do familial and peer based are different with influence on individuals purchase decisions?
- Do families with cross culture lend more to intergenerational transfers, consumption patterns and peer influences. (Childers & Rao, 1992, p. 198).

Instruments Used / Environment:

This study was conducted with Thai and American university students. The environment was a nuclear and extended family in both respective countries.

Methods and Findings:

KEY ASPECTS FOR RATIONALE / HYPOTHESIS:

- LUXURIES – purchase decision will attract relatively high peer influence.
- NECESSITIES – The purchase decision will attract relatively high peer influence.
- PUBLICALLY CONSUMED PRODUCTS – Brand choice will attract a relatively high familial influence. Luxuries observed when being consumed and susceptible to peer influence. Necessities however, are weak with product influence but weak with brand influence.
- PRIVATELY CONSUMED PRODUCTS – The brand choice will attract relatively high familial influence. Luxuries are not observed by others during consumption and therefore peer influence is weak in brand, but strong in product. Necessities have a weak product and brand influence. However, they have a strong nuclear and extended family influence (Childers & Rao, 1992, pp. 200 - 202).
- This experiment tested sample from Thailand and the U.S. using both independent and Dependant variables. The results showed that private necessities attracted greater intergenerational differences than the public necessities. Public necessities and Public luxuries generated similar intergenerational influences. Private products all together that attracted intergenerational difference were higher in Thailand than the U.S. , where private necessities attracted greater intergenerational influence than private luxuries (Childers & Rao, 1992, p. 202).

Concepts Applied:

BOURNE'S 2 ELEMENTS OF PROCUT CONSPICIOUSNESS (1957, p. 218)

1. LUXURIES – Unlike necessities, not owned by everybody and thus tend to be relatively conspicuous.
2. CIRCUMSTANCE OF CONSUMPTION –4 types of product emerge from classification – Publically consumed luxuries, publicly consumed necessities, privately consumed luxuries and privately consumed necessities.

Problems with paper:

There were limitations regarding statistical significance of measures of reference group influence. In addition, there were methodological issues in the studies confinement to 2 cultures, determination of intergenerational issues on brand preference's accuracy, and the inability to include other types of referents. Perhaps this could have included areas such as family structure and circumstances and celebrities impact on products and brand (Childers & Rao, 1992, pp. 210 - 211).

References:

Childers, T.L. and Rao, A.R. (1992)

The influence of familial and peer based reference groups on consumer decisions
(Volume 19)

Journal of Consumer Research (pp. 198 – 211).

Bourne, F.S., (1957)

Group influence in marketing and public relations

Applications of behavioural research (p.218)

Appendix Two:

Title: What is the celebrity endorser? Cultural foundations of the endorsement process

Name of Author: Grant McCracken

Name of Journal: Journal of Consumer Research

Volume Number, Year of Edition: Volume 16, December 1989

Name of Publisher: Journal of Consumer Research

Country of Publication: United States of America

URL: www.acu.edu.au – Library, E Journal data base.

Refereed Journal:

The Influence of familial and peer based reference groups on consumer decisions. Terry L. Childers, Akshay R. Rao - Journal of consumer research - Volume 19, September 1992

Questions Addressed:

- Are celebrity endorsements a feature of modern marketing?
- Does the endorsement process depend upon symbolic properties of celebrity, with meaning transfers to the consumer?
- To determine conditions under which the message sender or source is persuasive (McCracken, 1989, p.310).

Instrument Used:

The instrument used in this article was the use of source models for celebrity endorsement.

Method:

- STAGE 1 – To reside in the celebrities themselves.
- STAGE 2 – Meaning is transferred when the celebrity enters into advertisement with a product.
- STAGE 3 – meaning moves from the product to the consumer (McCracken, 1989, pp. 314 - 317).

Findings:

- Effectiveness depends on the meaning brought to the endorsement process.
- Distinction of status, class, gender and age as well as personalities and lifestyle types are represented in the pool of celebrities. This can be extroverted, outspoken, free willing and

alternative. However, these reviews can be over simplified and cause a stereo type of interconnected meanings.

- The endorser represents their stage persona, and their attractiveness depends on qualities created in this persona. Some implications provide insufficient powerful messages both internally and externally. Elements and product must be presented in such a way that the similarity between them suggests itself irresistibly to the viewer (McCracken, 1989, pp. 318, 319, 320).

Concepts Applied:

- Celebrity endorsement and advertising serves as an instrument of meaning transfer in a simple manner. Transfer begins with the adviser, who identifies cultural meanings for the product (McCracken, 1989, p.314).

Problems with paper:

Consumer society encourages low artistic standards, materialistic pre occupations and affection for the trivial unimportant and therefore cause fascinations with the affairs of the rich and famous, that is destined to fail as cultural realities greatly differ from the celebrity world (McCracken, 1989, pp.319, 320).

Reference:

McCracken, G. (1989)

Who is the celebrity endorser? Cultural foundations of the endorsement process

Journal of consumer research (Volume 16)

Journal of consumer research (pp. 310 – 321)

Appendix Three:

Title: Advertising: Meaning or information?

Name of Author: Grant McCracken

Name of Journal: Advances in consumer research

Volume Number, Year of Edition: Volume 14, December 1987

Name of Publisher: Association for consumer research

Country of Publication: United States of America

URL: www.acu.edu.au – Library, E Journal data base.

Refereed Journal:

What is the celebrity endorser? Cultural foundations of the endorsement process. Grant McCracken, Journal of consumer research - Volume 16, December 1989.

Questions Addressed:

- The study of 2 models – information and meaning based.

Instrument Used:

The instrument used was the model of consumption. This follows from a perspective that the world of goods is wholly cultural construction and that culture is constantly being played out in goods (McCracken, 1987, p. 121).

Environment:

- The project is ongoing, has key notions such as refinement and interactions and is objective.

Method:

- This paper has observed that the information processing model is unable successfully to contend with the cultural context with certain aspects of the individual's response to the stimuli of advertising.

Findings:

- Information is designed to give consumer behaviour as systematic account of the manner it reaches and manipulates the consumer. Both models begin from different assumptions and work towards different conclusions as they capture different types of data.
- The information processing approach ignores the cultural context of consumption. It provides no way of observing that the individual who is processing information is embedded in a highly structured and meaningful constituted environment. Therefore this form of advertising is problematical as this model cannot show how meaning is put into goods, as is the individual is the sole unit of analysis (McCracken, 1987, p.123; Shweder, 1984, p. 3).

Concepts Applied:

Epistemology:

- Being smuggled into the paradigm when it makes the benefits the objective of information processing and product choice is the economic man notion of human conduct (McCracken, 1987, p. 123; Sahlins, 1976).

Problems with paper

The information model's treatment of advertisement is unsatisfactory according to McCracken. It gives an unsatisfactory account of the components of the meaning based approach as it has been described in this article. Aspects of consumption and advertising are also not treated satisfactorily by the information based model (McCracken, 1987, p. 123). Therefore, if the meaning based model cannot serve as a replacement, then a ground up construction of new models is required (McCracken, 1987, p.124).

References:

McCracken, G. (1987)

Advertising: Meaning or information?

Advances in consumer research (Volume 14)

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University of Chicago Press

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Culture theory: Essays on minds, self and emotion

Cambridge University Press (pp. 1 – 24)

Appendix Four:

Title: The creation of product symbolism

Name of Author: Elizabeth C. Hirschman

Name of Journal: Advances in consumer research

Volume Number, Year of Edition: Volume 13, issue 1, 1986

Name of Publisher: Association for consumer research

Country of Publication: United States of America

URL: www.acu.edu.au – Library, E Journal data base.

Refereed Journal:

Advertising: Meaning or information?

Grant McCracken, Advances in consumer research - Volume 14, December 1987

Questions Addressed:

- The purpose of this paper is to extend prior ideas on product symbolism in some novel directions.
- Are there is a communications sub system, which functions to provide information about products to consumers? (Hirschman, 1986, 327)

Instrument Used/ Environment:

- CREATIVE SUBSYSTEM – To originate product concepts.
- MANAGERIAL SUBSYSTEM – Functions to mass produce and distribute selected products.
- COMMUNICATIONS SUBSYSTEM – Functions to provide information about products to consumers (Hirschman, 1986, p.330).

Method:

- STEP 1 – A product is conceived within the mind of a specialist.
- STEP 2 – Criteria by creative subsystem, where the product is composed of intangible attributes. This process is called commercialisation, whereby the emphasis is on the selection criteria for procuring novel material (Hirschman 1986, p.327).
- STEP 3 – Communications sub systems provide the product with additional meanings. Possible types – Formal, uncontrolled and intangible.

Findings:

- Creators of utilitarian products are likely to be more consumers oriented.
- Aesthetic products will cause consumer's reactions to be less frequently sought during the selection and development process. However, when products are in their final form, the consumer's are likely to be less able to predict their reaction to such products in advance of experiencing them (Hirschman, 1986, p.328). Therefore according to Hirschman, selecting aesthetic products for commercial production will see managerial specialists rely primarily on their own intuitive response to the creator and their ideas (Hirschman, 1986, p.327).
- Consumer's can control a substantial amount of symbolic meaning through interpersonal communication, where they define a novel social meaning for an existing product.

Concepts Applied:

- Communicating idiosyncratic interpretations to other consumers is a form of interpersonal communication and is an intangible attribute.

- Using the nomenclature, attributes associated with products by consumers through personal interpretation and interpersonal communication would be labelled as informal, tangible and uncontrolled.
- According to Hirschman, Consumer researchers, especially those who desire to implement the humanistic research methodologies of ethnography and participant observation, would likely find the subculture generation of product symbolism a rewarding avenue for research (Hirschman, 1986, pp.329, 330).

Problems with paper:

- In the past, little research has been conducted on instances of consumer generated symbolic innovation. However, the redefinition of an existing product as symbols may help to obtain goals (Hirschman, 1986, p.330).

Reference:

Hirschman, E. C., (1986)

The creation of product symbolism

Advances in consumer research (Volume 13, issue 1)

Association for consumer research (pp. 327 – 331)

Appendix Five:

Title: The product and the brand

Names of Authors:

Burleigh B. Gardner

Sidney J. Levy

Name of Journal: Harvard Business Review

Volume Number, Year of Edition: March – April 1955

Name of Publisher: Harvard School of Business

Country of Publication: United States of America

URL: www.acu.edu.au – Library, E Journal data base.

Refereed Journal:

The creation of product symbolism.

Elizabeth C. Hirschman, Advances in consumer research - Volume 13, issue 1, 1986

Questions Addressed:

- What is consumer's attitude towards a product and particularly their conception of the brand?
- What are some of the more fundamental issues a manufacturer and his advertising people should face in getting beyond such apparent aims and what can they do about it (Gardner and Levy, 1955, p. 34)?

Instrument Used:

- Taking smaller samples and interview them at length. In addition, vague and ambiguous stimuli are introduced.

Method:

- Researching aesthetics and ways of problem solving should assist in making progress in addition with having particular goals and attitudes of product and brand (Gardner and Levy, 1955, p.34).

Findings:

- Products and brands have interwoven sets of characteristics and are complexly evaluated by consumers; therefore advertising should not be a series of isolated messages but rather differentiated knowledge and judgement (Gardner and Levy, 1955, p.39).
- A brand name is more than the label employed to differentiate between manufacturers. It is both symbolic and a representation of ideas and attributes. This should represent and communicate to people rhythmic quality, personality and convey meanings which have been created by the marketing process (Gardner and Levy, 1955, p.35).
- Academic research will lead to the understanding of attitudes and attributes that the image of a product and brand creates (Gardner and Levy, 1955, p.35).

Concepts:

- There is a range of other variables that may interfere with goals, such as products with low cost sought. The product dimensions include characters of the product emerging with importance and responsibility, to influence people.
- Management's tasks can include setting goals through time, which communicate ideas (Gardner and Levy, 1955, p.37). They must differentiate their product for different demographics, psychographics, Geographic's and lifestyles. Once research is complete, managers are able to use informed judgement and make a decision (Gardner and Levy, 1955, pp. 37. 38)

Problems with paper:

- Gross assumptions are made about what people want and what motives their wanting. This leads to generalisations transferred from one situation to another, which is often inappropriately done (Gardner and Levy, 1955, p. 39).

Reference:

Gardner, B. B., Levy, S. J., (1955)

The product and the brand (March – April Edition)

Harvard Business Review (pp. 33 – 39)

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About the Author

Michelle Garland is a 4th year Bachelor of Arts / Bachelor of Business student at ACU National. Michelle currently enjoys sharing her time with the National Breast Cancer Foundation marketing department and continues to be heavily involved with managing and coaching a variety of sports. Michelle will finish her double degree at the end of 2006, where she hopes to travel to Europe and America, before pursuing a career in marketing. This is Michelle's second appearance in Carpe Diem. The first edition featured her work on marketing engineering products and services to Argentina.

Volume 2 No.1 2006

PAPERS

Evolution or Revolution:

Thinking about Management Control Systems

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Abstract: *Within the corporate environment, Management Control Systems (MCS), have existed for centuries in various forms. In an effort to achieve and maintain competitive advantage, they are now the subject of intense scrutiny and debate amongst practitioners and academics. Current control systems have enabled sophisticated multi national conglomerates to rapidly expand their influence to every corner of the globe. Should the status quo remain, with minor adjustments, or should there be a radical restructuring of the way we view the power of corporations and the manner in which they control? This issue is discussed within the frameworks set by Aryee (1993) and McIntosh (1994). Aryee succinctly structures a case for maintaining existing MCS while McIntosh proposes a complete revolution in our thinking. The conclusion drawn is that change is a constant and a necessity, and therefore we can not afford to be complacent. A revolution, however, may not be necessary to achieve prominence for such issues as environmental and social equity alongside the current dominance of wealth and power.*

Keywords: *Management control systems, models, control theories*

Introduction

In one form or another, Management Control Systems (MCS) have been in use for hundreds of years to manage resources and create value within the corporate environment. But it was not until the Industrial Revolution, with its resultant concentration of power and capital, that it became necessary to adopt formal control systems to manage and maintain the required goals and objectives of various organisations. As no one MCS is suited to all firms, the most effective system will depend on many factors including: stage of development, size, chosen strategy and industry or sector of involvement.

Control systems have developed from systems of extreme control as displayed in the institutional model, adopted during the industrial revolution, to more moderate forms such as the scientific and feedback models of the early and mid 20th century. Clan-like models harness the cultural and regional differences that can exist within an organisation's far flung empire, while other exponents propose adherence to pseudo empowering or commitment models. This group of models suggests that various socialisation techniques are used by senior management to commit employees to the values and beliefs of an organisation without really empowering them. Such models still maintain hierarchical structures with knowledge cells that deprive excluded employees the opportunity to truly participate as equals in the organisation.

The increasingly competitive global environment has forced organisations to be more flexible and nimble (innovative and learning centres) and to strive to improve systems in order to maintain a competitive advantage. The most basic resource any organisation possesses is its employees. Depending on the strategic model that an organisation chooses to adopt, it must embrace a particular type of management control system that enhances goal congruence, focuses on its strategies and achieves its vision.

Two competing models are considered. First the proposal put forward by Aryee (1993), in which he believes that the Human Resource Management division plays a critical role in aligning socialisation techniques for new employees, with the long term strategic outcomes the organisation. He identifies three generic business strategies: innovation, quality enhancement and cost-reduction. The socialisation techniques used will depend on the business strategy adopted by the organisation.

As an alternate, McIntosh (1994) proposes a 'revolution' in thinking, the abolition of the narrow focus of 'capital' being the over riding priority in an organisation. He proposes true employee empowerment through 'employee accounting systems' that may focus on environmental and social measurements. Further he suggests that true empowerment can only be achieved through an accounting discourse that removes the disenfranchisement of the workers in the workplace.

The purpose of this paper is to consider the Aryee/McIntosh paradox and present a complementary model suited to the contemporary demands required of a global business environment.

The Development of Management Systems and Theories

Management Control Systems generally defined as the formal, information-based routines and procedures managers use to maintain or alter patterns in organisational activities (Simons, 1995). This definition could further be expanded to include the term 'accounting', to encompass both the tactical and strategic elements of activities within an organisation. The systems used would also motivate, monitor, measure and sanction the actions of managers and employees (McIntosh, 1994). A further refinement could see the inclusion of the information required by managers to manage resources and add value (Langfield-Smith, Thorne and Hilton, 2006) and the organisational strategies for creating value for its customers, shareholders and the public (Kaplan and Norton (2004).

Management of organisations and their enterprises have been a necessary function of society

for centuries. Early examples include: the construction of vast edifices such as the pyramids; Inca Temples; Roman roads, water and sanitation systems, and; the development of complicated city and state structures. Most of these ventures were achieved by military regimes that completely controlled the societies they ruled over. Later, trading empires developed in Europe from the 1400's onwards which required sophisticated systems to monitor the organisation's inventory, accounting and personnel functions. Two occurrences, pre 20 th Century, had significant influences on the study of management and hence the need to develop, define and refine management control systems. The first was Adam Smith's classic doctrine *The Wealth of Nations*, which proposed the economic advantages that could be gained for both an organisation and society as a whole by the adoption of the principle of 'division of labour'. The second major factor was the Industrial Revolution, which resulted in an explosion of formal management, with the separation of owner from manager in factory settings rather than the traditional methods of home/village based industries. The concentration of capital and power in a few hands, the diverse location of resources and the need to utilise labour resources to drive a competitive advantage created the need to develop control systems to manage an organisation's behaviour and outcomes (Robbins, Stagg and Coultes, 2003).

The 20th Century has witnessed significant studies conducted to understand how better to manage and control organisations. This led to major contributions by Frederick Taylor and later Frank and Lillian Gilbreth on the theory of scientific management. Further studies by Henri Fayol and Max Weber led to a theory of general administration with principles on how managers should divide and control labour. Finally, post World War II, a quantitative approach to management emerged where the use of statistics and financial modelling further drove competitive advantage (Wertheim, 2002).

The development of sophisticated management systems gave rise to the need to control an organisation to ensure achievement of goals and objectives (Sisaye, 2005). Arguably the most critical function of management is the formulation of an organisation's strategy (McIntosh, 1994). Recently the rise of the multi-national corporation and globalisation have made it imperative that large firms harness their single most important resource by creating and maintaining elaborate strategic human resource management systems to sustain growth and protect market share by controlling the employees and their actions (Liao, 2005).

Three theories regarding management accounting and control have emerged, with each claimed to be universal by its proponents. They, however, present quite opposing views on the subject. The Labour Process Theory sees the development of management control systems as a means to sustain existing structural power inequities in society by alienating workers, deskilling them by maintaining 'information cells' and by subordinating the workers wants and needs to that of the need of the shareholders. The Agency Theory sees the firm as a complex interwoven mesh of two person contracts, either explicit or implicit, between capital and the worker. It is the complete reverse of the first premise in that management have a need to continually develop and refine systems to ensure that agents (managers and employees) do not promote their own self interest above that of the firm. The last theory is Management as the Nerve Centre of information for the organisation. Rather than portraying managers as the controllers of a grand strategic plan for the firm, Mintzberg's studies, conducted in the 1970's, found that managers appeared to work in chaos collecting, storing, analysing and disseminating information relevant to a firm's internal and external environment (McIntosh, 1994).

Management Control System Models

Various models have been developed or observed to be used by organisations, including:

Institutional – Systems used by prisons, military, churches and hospitals, where individuals are placed in well defined places of work, then further compartmentalised into smaller locations, partitions and cells. These units are organised vertically and horizontally both physically and in terms of their 'pecking order'. Timetables and 'dressage' methods are introduced to further control the every action of the individuals in the organisation. To enhance and reinforce the controls a system of supervision is introduced with a reward and punishment regime, the ultimate aim of such controls is often to completely dehumanise individuals (McIntosh, 2002).

Direct Surveillance – Power creates a relationship in which one individual can control, by means of rewards and deprivation, the actions of other human beings. This can be physical,

material or symbolic (Sisaye, 2005). Extreme use of this power can be established within an organisation by the use/misuse of accounting systems. The case of Geenan and ITT is an illustration of excessive use of reporting systems and the often humiliating reward and deprivation techniques that were used to control the firm. Geenan had a panoptic view of every aspect of ITT's operations and personally drove the company to become the largest multi national company in the world by the late 70's (McIntosh, 2002).

Scientific – the theory of scientific management was considered such a danger to society prior to World War 2, that the US Government banned its use in federal institutions (Wertheim, 2002). To create, control and manage the most efficient system, Taylor's system required that a firm find the 'fastest man' for the job and benchmark all others to his rate, the establishment of foreman overseers to expedite the work rate, introduction of cost accounting to identify bottlenecks and reward for achievement ('pay the person not the position'). Despite the misgivings of many, including the United States Government, these methods are still used today by many of the world's largest corporations, especially those involved in large mass produced industries (Robbins et al, 2003).

Feedback – a feedback system based upon a set of control related variables and a feedback control loop that continuously monitors the behaviour of the system. The variables can be both internal and external and can be as diverse as customer satisfaction to component failure rates. The ultimate success of the control mechanism is 'real time' response and reaction to modify processes or behaviour (Fisher, 1995).

Social/cultural – The culture of the organisation and the differing cultural backgrounds of personnel within it are important factors in establishing a management control system. Japanese firms have been very adept at utilising inherent cultural attitudes within their society, to achieve goal congruence. They have a clan-like approach to management with elements of trust, subtle and intimate interaction between the company and the employee. The employee is viewed as a long term asset; they are offered life time employment, non specialised career paths and participate in a consensual style of decision making. This 'weds the employee' to the long term goals of the company and not to short term career oriented objectives (Kranias, 2000).

For most firms the task is one of managing expectations of employees against the required objective of the firm. Goal-congruence is achieved by a socialisation process of new employees into the company. Common knowledge that they bring with them, cultural influences both from other firms and the wider community need to be managed in a controlled manner to achieve complete socialisation (Sunder, 2002).

The Distillation of Control Theories

As organisations expand across international boundaries, management control systems became essential strategic tools to ensure that they achieve and maintain competitive advantage. Simons (1995) identifies four crucial elements which must be analysed and understood to enable successful implementation of corporate strategy. Simons (1995) identified these as 'Levers of Control' and comprised; core values, risks to be avoided, critical performance variables and strategic uncertainties. Each one of these constructs is controlled by a separate lever. They can be used simultaneously, sequentially or individually to manage pressure points within the firm.

- **Belief systems.** For an organisation to continue in existence it must communicate its purpose, core values and future direction. Many firms use tools such as mission statements and credos to inspire, guide and encourage development of its belief systems to its employees.
- **Boundary systems.** Boundaries are set by legal requirements, professional standards and strategically when matching opportunities (and threats) to existing or available capital and skill resources.
- **Diagnostic control systems.** Typical management control systems focus on key financial data, with an adherence to business planning and budget goal setting. Simons (1995) suggests that a firm must identify its specific strategy (cost reduction/innovative/quality enhancement) and tailor a diagnostic system to meet those specific objectives. A balanced score card approach is recommended with core areas of measure being, financial, customer, internal business process,

and innovation and learning.

- Interactive control systems. To be effective an interactive system must: analyse only critical data; be analysed regularly at the highest levels of the company; be discussed and interpreted widely within the organisation and; be a continuous source of questioning of existing plans and means of adapting to strategic challenges (Simons, 1995).

MCS and Potential Effect on Employees

Human behaviour in an organisation will range from employees who are honest, reliable, hard working and committed to company objectives, through to those who may be dishonest, lazy and not at all committed. Etzioni categorised these commitment levels as moral, calculative or alienative (Aryee, 1993). Simons suggests that all employees are willing to contribute, eager to do the right thing and achieve both personal and company goals, and finally, to be creative and innovative. Through judicious and timely use of his 'levers of control', he argues that managers can manipulate employee's behaviour to conform to those levels of commitment required by the organisation (Simons, 1995).

Use of institutional, surveillance, scientific and 'remote control' management control systems may well meet actual strategic goals but it may impair potential performance rather than enhance it (McIntosh, 1994) and be at the expense of employees needs. This may lead the organisation to view the individual "as a thing to be corrected, normalised and treated in accordance with discursive practices of that particular discipline" (McIntosh, 2002).

Emphasis on national and regional cultural values can be utilised to align the company's goals with those inherent characteristics of its workforce. Both Japan and Korea have utilised these values to create economic powerhouses in a short period of time. (Kranias, 2000).

Two competing models which are worthy of further consideration are that of Aryee and McIntosh.

The evolutionary paradigm

Aryee (1993) constructs a careful, well researched and incrementally stepped argument towards the strategic use of Human Resource Management techniques in creating and sustaining competitive advantage – the commitment model.

In today's increasingly competitive and globalised market more and more companies are choosing to adopt Human Resource Management practices that align with their long term strategic goals. A continued supply of its most basic resource, committed employees, ensures competitive levels of 'productivity, quality and creativity'.

The required commitment level may vary depending on the strategy adopted by an organisation. This in turn will be determined by the goals set by the shareholders and Board of Directors. They may choose from an innovative, quality enhancement or cost-reduction strategy. Once determined, the HRM utilises the organisations belief systems, reinforcing it in the way that it selects, trains and develops, rewards and retains its human resources. The new employee in turn will question the expectations of the organisation, its positive reward triggers and the acceptable standards of cultural behaviour. Institutionalised tactics have shown to have a positive correlation with employee commitment, these socialisation techniques include, 'formal, collective, fixed, sequential orientation that leads to investiture of the newcomer within the organisation. Individualisation tactics tend to 'individual, informal, variable, random and disjunctive practices' with the resulting outcome of 'innovative role orientation'.

An innovative strategy generally attracts a cosmopolitan employee who has a calculative level of commitment. They are creative, flexible, risk takers and unpredictable. Particular effort has to be taken on the part of the firm to qualify what the expectations are of this type of employee and the resultant rewards. They are often highly mobile and committed more to their profession and their own career enhancement than specific organisational goals.

Cost-reduction socialisation techniques require a company to adopt a custodial orientation. The workforce is generally local and must be fully inculcated into the organisation's belief systems to ensure complete congruence of its goals. Generally, the workforce requires little ongoing

training after the initial orientation (Aryee, 1993).

The revolutionary paradigm

McIntosh believes that management accounting and control systems are essential for the modern global corporation. However, he is highly critical of these systems as depicted in 'conventional textbooks'. He sees many of the principles of 'surveillance, discipline and punishment' reflected in the practices undertaken by senior management and management accountants. The concept of responsibility centre accounting embodies the enclosure, with compartmentalised accounting reports, requiring adherence to a rigid code of practice and timetabling. The manner in which these functions are carried out by middle management allows their seniors to grade, rank and compare adherence to company belief systems.

Rewards are either given or privileges withdrawn, depending on performance, leading him to conclude that modern corporations resemble the 'panoptic' position.

McIntosh views MCSs as discursive formations, in which the manager's role is to produce financial reports required by the control systems adopted by the organisation. This process of producing estimates, budgets, financial reports produces a 'docile and obedient automaton' which in turn leads to remote control management.

The answer, according to McIntosh, is a complete 'revolution' in thinking of MCS. He suggests that research be undertaken to develop 'employee accounting systems', less shareholder dominance and a greater emphasis on social and environmental indicators (McIntosh, 1994).

Conclusion

The management control systems that have been developed and utilised, especially, in the last two centuries have served the overwhelming majority of people in the developed world well. In addition, the East Asian powerhouses of Japan and Korea have harnessed their inherent cultural differences to traditional control systems to achieve stunning economic success in a short period of time. Aryee and Simons articulate the case for the status quo, why dispense with models of control that appear to be working well?

However, McIntosh asks us all to have a look at the current imbalance of capital (and the resulting power) as the single overarching feature in management and accounting control systems. He has very few examples to support his argument that a 'revolution' is necessary and even fewer concrete proposals how to incorporate these radical proposals into the current structure of business.

But, one thing is certain, change is inevitable. The overwhelming majority of sources referenced in this assignment agree that more research needs to be undertaken on management control systems to fully understand the nature of culture within organisations and to develop systems which harmoniously meet all aspects of goal congruence.

Whether this will lead to many incremental steps towards a fairer and more prosperous society or will require a radical overhaul of current structure is debatable. My personal view is that McIntosh's suggestions go too far and that for every successful Anita Roderick and Ricardo Semler, it would produce many failures that could not emulate their vision and dynamic leadership style. However, Simons' imminently sensible 'levered' approach may hold the solution and that the addition of a fifth construct and an additional lever to accommodate McIntosh's societal and environmental concerns may bring about an equitable balance to all stakeholders in our future.

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PAPERS

A Critical Analysis of Bainbridge Process-led Model of Changing Culture, with Particular Respect to the Lack of Individual Consultation

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Abstract: *The term 'organisational cultural change' implies two concepts. The first that a culture exists within an organisation, and the second that it is possible to change it. This paper investigates Bainbridge's Process-led model of organisational culture change (1996). It seeks to identify and highlight some inherent weaknesses in the process particularly with respect to the lack of individual staff consultation. It explores the general concept of culture within an organisation and challenges the notion of a directive, prescriptive method of changing culture without staff consultation.*

Keywords: *Organisational change, Bainbridge, Culture*

The term 'organisational cultural change' implies two concepts. The first that a culture exists within an organisation, and the second that it is possible to change it. The first concept is a seemingly non-disputable point; whenever a group of individuals co-exist a culture will develop. Culture incorporates anything from what time morning tea is to be taken, to how and when the boss is to be addressed. It has been suggested that organisational culture is a descriptive term. "It is concerned with how members perceive the organisation, not with whether they like it" (Robbins et al 2000, p90). Organisational culture also implies that the meaning is a shared meaning. "Even though individuals may have different backgrounds or work at different levels in the organisation, they tend to describe the organisation's culture in similar terms." (Robbins et

al 2000, p90) With this commonality, academics and practitioners have addressed the second concept by attempting to design a method to change an organisation's culture.

Bainbridge (1996) has addressed this with his development of a process-led model of organisational change. The theory basically divides the process into, educate, embed, equip, enable and excite and energise with reference to the employees. The process arguably lacks one crucial factor necessary to precipitate and mould change. This missing link may be consultation with the members of an organisation. A duality exists within the works of Bainbridge whereby he suggests that culture "is held within the hearts and minds of individuals, not in some corporate pigeon hole where it can be unlocked and realigned overnight" (Bainbridge 1996, p132) as well as suggesting that "it still has to be consciously designed, shaped and amended in line with a set of requirements" (p129). The question here is how, if one intends to change employees' focus and the outcomes within an organisation, can organisational change be carried out completely and effectively in the absence of an idea on how the staff feel about it or the ways in which they would accept a change process. It has been espoused by Senge (1990) that "true behaviour cannot be created by edict. Sustained long term change only occurs when people's hearts and minds are committed" (Enderby & Phelan 1994, p75). This supports Bainbridge's first comment about the notion of culture being held within most employees, and adds weight to the argument that he has confused his ideal with an over developed and over ambitious process for culture change.

Arguably when advocating the adoption of his process led model to companies and managers, a statement such as "the design must be used to shape the attitudes, values and behaviours of staff just as much as it is used to define a new computer system" (p129) would appeal greatly. It is, however, not that easy a process to deconstruct and then implement. The fact that an organisation's culture is made up of relatively stable and permanent characteristics such as the suggested seven characteristics by Robbins et al (2000) of "innovation and risk taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness and stability" (p114), suggests that a culture takes a long time to form and in that establishment process an organisational culture becomes quite resistant to change. It is therefore more time consuming than the installation of a new computer software package, as the analysis provided by Bainbridge (1996) suggests. The reality of management in the modern corporate environment is a person in charge who is expected to change tasks within minutes of beginning, surveys over the years have shown that management often spend time poorly and that carrying out subordinates work through lack of delegation can account for up to 50% of wasted managerial time (Stewart, 1998). With this in mind the thought of a five-step process to change a flailing culture and improve productivity, moral and financial performance is extremely appealing, and most importantly, it purports to be time efficient.

It is not that Bainbridge (1996) neglects to mention the difficulties inherent with the changing of organisational culture process; however, he tends to suggest that these problems will be overcome with the use of the process-led model. His initial phase of educating and explaining why the change is necessary is supported with the idea that this will be better accepted than "foistering it on staff from above" (Bainbridge 1996, p137). The inherent problem lies with the fact that people are individuals with opinions. If the culture is an atmosphere or way of being that has been developed and enacted by the very people you would like to change, it seems inappropriate to educate them on a new way of being without first asking the staff involved, what the way of being should be. The attempt to educate people in this way may simply be viewed as a method of manipulation. According to Bates (1994), "all methods raise the interesting ethical question as to when education is truly educative and when it has become just another word for controlling people" (p193). It could be suggested that involving staff in the cultural change, rather than "educating them" (Bainbridge 1996, p136) would give a sense of ownership in the process and in the cultural change and encourage a more participative and enduring response from staff collectively.

With Bainbridge's (1996) second phase of embedding the change, the suggested delivery method is through a series of value statements combined with the introduction of "posters, slogans, pens, videos, newsletters logos – and even coffee mats and key rings" (p138). It could be suggested that these initiatives may be seen as trite and feeble attempts to embed a management-developed ideal of what the staff should adopt as their culture. For instance, handing out a key ring saying "Individual contribution, team results" (p138) may only serve to highlight the lack of insight that management has shown in its attempt to remould the

organisation.

Bainbridge's (1996) third 'E' is the enabling phase. It is this stage that he attributes "the reason why culture change can be achieved under the umbrella of process-led change" (p138). It is in this stage that Bainbridge's ideas are most problematic. He combines "culture is not changed by telling the staff in an organisation how you want them to behave", with "culture is changed by getting people to do things differently and getting managers to manage differently" (p138). It is confusing as to whether Bainbridge is defining culture as a practice through managers and how people are managed. This is vastly different from the general consensus that culture is a shared meaning, held in the actions and mindsets of individuals within an organisation. There is no doubt that management techniques can impact upon or add to a cultural stage, though it is unclear how changing a management style will redefine the culture. It seems that the issue here would be the retraining of management rather than a five-step process to impart a new way of being onto the staff. In a strong culture employees may already be given a good deal of authority and responsibility for things that happen in their division or sector: "The beauty of this kind of system is that people can be relied on to set their own standards and discipline themselves" (Bates 1994, p49). It is within a strong culture that freedom is conditional upon being able to deliver and this serves as both a motivational tool and a sustainer of culture. Bainbridge (1996) continues on to discuss the "staff taking the reins and doing things differently is probably the single most important point of culture change" (p139). It may be suggested that a serious amount of discontent may be apparent if the staff are at this stage of the process, finally given the reins to take control of a process that they had nothing to do with establishing in the first place.

The fourth step in Bainbridge's (1996) process-led model of culture change is the enforce stage. By the mere use of the word enforce, it suggests an aggressive method of maintenance and support. To enforce a culture, would suggest there will be a negative outcome for those who do not adhere to the standards set down. This could directly impact on the motivation on staff and productivity as a result. The reinforcement theory of motivation suggests "emphasis is on positive reinforcement, not punishment, managers should ignore, not punish unfavourable behaviour" (Robbins et al 2000, p560). It is true that punishment may eliminate undesired behaviour faster than non-reinforcement; however, "its effect is often only temporary and may later have unpleasant side effects, including dysfunctional behaviour such as workplace conflicts, absenteeism and turnover" (Robbins et al 2000, p560). Bainbridge's theory does not advocate the use of punishment to sustain the new and appropriate culture; however, the suggestion that a culture is enforceable alludes to the idea of punishment, control and negative consequences.

Bainbridge's final "E" (1996) is his excite and energise phase (p142). It is in this final step that Bainbridge suggests that management "ask for help. Process-led change is too big to be undertaken without the help of the organisation's staff" (p142). Arguably at this final stage of the culture change process, it is too late to ask for help. This token gesture of involvement could be seen as patronising to staff and "emphasising early on that the undertaking is a joint one, which cannot be achieved by management and the change team alone" (Bainbridge 1996, p143) will harbour more feelings of "indifference and avoidance" (p140) than the "culture of contribution" (p143) as Bainbridge has suggested. It is possibly disrespectful to staff to pretend to appreciate their input and their contribution, when through the entire process of change Bainbridge has been attempting to mould the culture and have the staff adopt it. Arguably it underestimates the intelligence, capabilities and predominant role that the staff plays in this culture change. It was, after all, Bainbridge (1996) who suggested that culture "is held within the hearts and minds of individuals" (p132) yet surprisingly it seems to be these individuals that miss out on the process and are "asked for help" (Bainbridge 1996, p143) in the final phase when it is clearly apparent that they are the crux of the operation.

Bainbridge (1996) does discuss culture change and he correctly identifies five hurdles to the concept of organisational culture change. He acknowledges that "it is a massive task" (p132) and that it incorporates accessing and attempting to alter values, attitudes and beliefs of people as well as adopting a style to include people's "idiosyncrasies, agendas abilities and preferences" (p132). He recognises that "there is no such thing as a fresh start" (Bainbridge 1996, p132) which aligns with the systems theory that organisations function as a dynamic system. He alludes to the history and previous problems and successes. Bainbridge discusses "volatility" and compares modifying culture with "playing with a test tube full of unknown

chemicals" (p133). There is reference made to the emotions and reactions of participants in a change process (p133). He states that culture develops over a long periods of time and that the origins are in "the very roots of the organisation" (p133). Finally Bainbridge concedes that a "spoon-feeding legacy" exists and this is difficult to break: "Working to establish a culture of empowerment and responsibility, which process-led change tends to demand, after years of rigorous control and direction is like freeing a bird that has been confined to a cage for all of its life" (p134). He goes on to explain that people, like this bird need to be "nurtured in their new freedoms and responsibilities" (p134). The question one may ask of Bainbridge here is why then, does this bird need to have its way of being and its freedom educated, embedded, enabled, and enforced?

Bainbridge's view seems to embody a mass of contradictions. His observations on the nature of culture are sound, yet the process-led model of change that has developed from these observations is arguably tawdry and lacking insight into the nature of humans and organisations both in terms of a macro perspective and a micro perspective, and the establishment of culture.

These five stages are not without merit. However, the process would be very effective if the process became a six-step model and the new first step was called consultation. This step would incorporate the ideas, opinions and feelings of the organisation's staff. It could be done via questionnaire, interviews, or by group meetings with the emphasis being on the change agent to provide feedback to the staff about their contributions. A list of anonymous ideas about a culture change and a new way forward could, for example, be circulated to the staff with staff reaction's to this, and additional ideas requested. The desired effect of this would be to empower the employees and to address the needs and ideas that each individual has. It would be a large and time consuming task; however, the long range benefits of establishing a pattern of trust, co- operation, participation, inclusion and validation would be revealed in the Educate, and Excite and Energise phases of the process. This way the final step in the Excite and Energise phase would be thanking the staff for their contributions, requesting their ongoing co-operation and acknowledging the staff as a very important factor within the organisation. It may also encourage the bird Bainbridge alluded to "to spread its wings and make its own way" (p134). Staff enjoy feeling empowered and McClelland links this need to his three needs theory for motivation, "the need for achievement, the need for power and the need for affiliation" (Robbins 2000, p555). To incorporate a pre-step in Bainbridge's model would increase motivation as well as enhancing the culture by incorporating all three of these needs bases. The questionnaire interview, or group meeting, would allow the individual within the organisation to maintain some control, assume a position of power (however limited) and fulfill a need for affiliation and a sense of achievement.

The fact remains that "change is consuming businesses today...the pace of change is unrelenting" (Critchley 1999). Many of the organisational shifts are due to external events such as labour markets, global economies and the new strategies and new cultures that are emerging. Critchley states that "three generalizations can be made about people in organisations: they seek job security; they are frequently uncertain about how valuable they are to their employer and they worry that their skills are not being used in a relevant and meaningful way" (p47). From this one could deduce that an organisational culture that promotes career confidence and change resilience in the workforce would be critical to minimise the costs that are associated with change. This would add weight to the argument that involving staff more in the process designed by Bainbridge (1996) would validate the position of the employee in the workplace as well as embrace the skills of the staff in seeking and utilising their opinions.

Melissa Hunter wrote that "it is important to note that culture doesn't stop at one concept alone, there must be a continual influence of new ideas and innovations" (Hunter 1997, p21). It is also important to align one's idea of culture with the business objectives, vision and mission statement, as this culture is a "primary determinant of the organisational environment, acting as a collective frame of reference for the organisation and shaping strategic decision-making and behaviour" (Hames 1991, p30). Hames attempted to identify dominant values and assumptions of the organisation through designing a "cultural map". This may serve as a physical embodiment of what the culture is, though it is difficult to go beyond the statement made by Bainbridge, that "culture is held in the hearts and minds of the employees" (p132), and that "individuals like to belong to a group of people who are similarly committed and to feel needed and appreciated by others in the group" (Festinger 1954, p119) to understand the

culture within an organisation.

Culture is a difficult aspect of an organisation to change and it requires thorough understanding of all levels of the business, from the individual to the company's mission statement. An effective culture change program will incorporate the ideas and feelings of as many staff as possible, if not all of the staff in the organisation. It will seek to address the fears and uncertainties as well as encourage and promote a desire to embrace the new. It is suggested that Bainbridge's 1996 process-led model may require some modification.

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BUSINESS PLAN

Coffee Addiction

Submitted to The Commonwealth Bank of Australia

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EXECUTIVE SUMMARY

Coffee Addiction is a family owned café which is dedicated to consistently provide high customer satisfaction by providing excellent service, quality products and an enjoyable atmosphere.

Our mission is to meet our customers' need for a high quality rich coffee while providing sweet indulgences that will entice their taste buds.

Our vision is to be a business known for its quality and respect for our clients.

Our goals are to combine our skills in developing a successful business. Coffee Addiction's aim is to meet the customer's needs to build customer loyalty so that they would tell their friends about our warm aesthetic environment and top quality products.

There are a number of reasons why we are opening our own business. Starting with the fundamentals, we are both of the strong belief that to be in business you need to have a passion and interest which can be translated into commitment and dedication to the success of the business.

Our primary reasons for starting our business are:

- To be our own boss and take full responsibility for our decisions
- To utilise the qualification of some members of the family
- To support our lifestyles financially
- To be challenged in the work place and build a successful business that we can take pride in
- To provide a quality product to our potential customers in a relaxing environment
- There is a high potential target market within the location
- Great relationship with the suppliers and their support

The business will be owned by two partners: Catarina Pita Santos and Antonio Dos Santos. Antonio Dos Santos has experience in starting and operating a small business and also worked many years as a salesperson. Catarina Pita Santos has a bachelor of business (Accounting) degree and has experience in working in a family-owned small business.

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BUSINESS DESCRIPTION

Coffee Addiction is a family owned café located in Newtown . The café is dedicated to consistently provide high customer satisfaction by ensuring excellent service, quality products and an enjoyable atmosphere. The café offers a wide range of fine coffees, such of which are unique to our café and with a wide selection of home made style sweets. The coffee beans and other coffee supplies will be supplied by Aroma Coffee and the sweets will be purchased from Epicurean Kitchen. The business structure is that of a partnership with the equal partners being- Catarina Pita Santos and Antonio Dos Santos. There are a total of 5 employees in the café.

Business ownership

The owners of the café are Antonio Dos Santos and Catarina Pita Santos. The choice to become a partnership was due to the following factors:

- Due to Antonio's previous experience with operating his own business, Catarina felt that he would be a great asset for the business. Catarina has the business knowledge but lacks the experience Antonio has.
- In order to have a high start-up capital
- Great division of responsibilities

Our primary reasons for starting our business are:

- To be our own boss and take full responsibility for our decisions
- To utilise the qualification of some members of the family
- To support our lifestyles financially
- To be challenged in the work place and build a successful business that we can take pride in

- To provide a quality product to our potential customers in a relaxing environment
- There is a high potential target market within the location
- Great relationship with the suppliers and their support

Staff members and their responsibilities

Antonio Dos Santos – (Owner, Stock/Supplier Manager and Promotion Manager)

- With Antonio's previous experience in sales, his main position will be that of a supplier manager. He will be in charge of making sure that the café has adequate stock on hand and investigate the market to make sure that we always get top quality stock at the lowest cost possible.
- He will also be involved in the marketing/promotion aspect of the business.
- As a partner, he and Catarina will both be involved in the decision making process of the business.

Catarina Pita Santos – (Owner and Accounts Manager)

- With Catarina's accounting degree and knowledge of MYOB, she will be given the position of accounts manager. She will keep all the business accounts in order; this will not only enable the business to keep an eye on its finances but also reduce the cost of contracting an accountant.
- With her passion for coffee, she will also be involved in making coffees and serving customers and is planning to attend the coffee school in order to expand her skills.
- As a partner she and Antonio will both be involved in the decision making process of the business

Natacha Pita Santos – (Full time accredited Barista)

- Natacha has an Accredited Barista Certificate, as she attended the coffee school and completed a Barista course and a coffee art course. She will work full time at the café. Her main responsibility is to provide high quality coffees and her duties would include taking orders, serving customers and making coffees. She will also be involved in cleaning the premises.

Sandra Pita Santos – (Accounts Administrator)

- Sandra has a Advance Diploma in Accounting from TAFE, so she will be able to assist Catarina in keeping the accounts in order. As she has no knowledge with MYOB, she will only be involved in preparing the information to be processed. Therefore, she will be involved in activities such separating the business-related invoices from any withdrawals the owners made, doing the banking and paying the rent.
- She will continue in her current job but will also help in the family business

Irene Pita Santos – (Waitress and future Barista)

- Irene is currently in the process of enrolling at the coffee school. She will have the same responsibilities as Natacha; however, Natacha will remain the main barista.
- At times Irene might be at the office answering the phone or doing any paperwork if needed. With her exceptional interior designing skills, she will be in charge of the decoration of the café.

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BUSINESS INVESTIGATION

Location

The Café will be located in Newtown , NSW. It is near the station, so it has a lot of potential customers. The business address is:

Coffee Addiction

349 King Street

Newtown , NSW 2042

Phone: (02) 9550-4401

See Appendix A for a description of the premises.

Establishment of the business

- The premises for the café will be leased instead of being purchased. The premises was a coffee shop previously so there will only be minor adjustments made to the premises to fulfill the requirements set out in our floor plan (see Appendix B). In addition, the premises will need to be painted.
- All the furniture (except the sofas) and coffee equipment will be bought (see Appendix C). However the office equipment including the computer will not be purchased as we already have it.
- The café will:
 - Be relaxing, friendly and aesthetic
 - Play mostly jazz
 - Be decorated with pictures on the wall showing history of coffee. There will also be a frame with photos of the staff members, so that people can become more familiar with us and feel more comfortable. The photos will also emphasise the fact that we are a family owned business.

Physical assets of the business

The main physical assets associated with the business are:

- Office Equipment and Furniture
- Included is the computer, printer, photocopier, telephone, furniture and the Casio cash register
- Kitchen Equipment
- The main assets are the Anvil refrigerator, microwave oven and the Hydro 750 Dishwasher. Some other assets are shown in Appendix C
- Coffee Equipment
- Main asset is the Bezzera Ellisse coffee machine followed by the Boema coffee grinder and the coffee percolator. Some other assets are shown in Appendix C
- Café Furniture
- The main assets are the tables and chairs, as shown in Appendix C. Also there are two sofas which have been donated by Natacha Pita Santos.

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BUSINESS IDEA

Product list and pricing

Most of the prices are based on the competitors' prices.

Hot Beverages menu									
	Small	Regular	Large			Small	Regular	Large	
Cappuccino	\$2.60	\$2.80	\$3.00		Mocha	\$2.80	\$3.00	\$3.20	

Café Latte	\$2.60	\$2.80	\$3.00	Hot Chocolate	\$2.80	\$3.00	\$3.20
Flat White	\$2.60	\$2.80	\$3.00	Tea *	-----	\$2.60	-----
Vienna	\$2.80	\$3.00	\$3.20	Cherry Latte	\$3.20	\$3.60	\$4.00
Short Black	\$2.60	\$2.80	\$3.00	Irish Cream Coffee	\$3.20	\$3.60	\$4.00
Long Black	\$2.60	\$2.80	\$3.00	Caramello Coffee	\$3.20	\$3.60	\$4.00
Macchiato	\$2.80	\$3.00	\$3.20	Almond Coffee	\$3.20	\$3.60	\$4.00
Affogato	\$2.80	\$3.00	\$3.20	Georgia 'n' Ginger	\$3.60	\$4.00	\$4.40
Babycino	----- -	\$2.00	----- -	Mexican Coffee	\$3.60	\$4.00	\$4.40

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* Earl Grey, Green, Ruby Raspberry, Peppermint, English Breakfast, Mango or Camomile

We will also offer decaffeinated coffee. We give the choice of Full cream milk, Skim milk or Soya milk.

Cold Beverages menu		
Milkshake	Chocolate, Strawberry, Caramel or Vanilla	\$3.80
Frappé	Lemon Tea, Mango, Passionfruit, Strawberry or Coco	\$4.00
Fruit Juices		\$3.80
Iced Coffee		\$3.90
Iced Chocolate		\$3.90
Iced Cherry Choc		\$4.00
Iced Coco Choc		\$4.00

Chilled Coffee Caribbean		\$4.90
Coffee-Chocolate Soda		\$4.90

Sweets Menu	
Caramel Fudge Cake	\$3.00
Royal Chocolate Tart	\$2.90
Sydney Mud Cake	\$3.00
Mortal Sin	\$3.20
Pear & Raspberry Cake	\$3.20
Friands	\$2.40
Fruity Muffins	\$2.30
Lemon Meringue Tart	\$3.70
Café Style Cookies	\$2.10

THE MARKET PLACE

The coffee market

Consumers are now looking for “better” coffee, which means that they are no longer satisfied with the average supermarket beans and instant coffee (*Entrepreneur Business Centre [EBC]* , 2005). People are willing to spend \$20 to \$40 per kilo on coffee just to be able to enjoy the ‘café’ taste at home (*EBC* , 2005).

The ‘former’ coffee lovers whom due to health reasons eliminated or reduced their coffee consumption are now consuming huge quantities of decaffeinated coffee (*EBC* , 2005). The ‘former’ coffee lovers choose to have their coffee at cafés because of the rich flavour that café beans have compared to the supermarket variety (*EBC* , 2005).

Analysis of potential in the location

“This is a very alternate area; you will see all sorts of people walking along the main street – King Street . It is a great place to sit in a café and watch the locals go by, you won't get bored! The area has some of Sydney 's best eating places with virtually any style of food available. The area backs onto the University of Sydney , which has led to a large student population in the area.

Newtown also has a reasonable sized gay population and several pubs catering to this. Newtown is a hive of activity at most times of the day" (www.backpackaround.com.au)

We believe that we have a strong chance of operating a successful café in Newtown , due to the following aspects:

- The growing demand for "better" coffee and our inclusion of decaffeinated coffee in the product line.
- We also have included some beverages to our menu which are not sold at any other café in the region, but has potential as Newtown is a place where people are always ready to try new things.
- We are in a high traffic flow area and we have huge window showing a clear view of Newtown 's main street- King Street .
- We are only walking distance from University of Sydney
- We offer a relaxing, friendly atmosphere

Competition

Cafés can be found all over Newtown and especially along King Street . However, our main competitors are O'Porto Café, La Boemia and Porccini Café as they are only metres away from Coffee Addiction.

O'Porto Café

- Well known franchise. There is the convenience of getting a burger and a coffee at the same time
- Offer parking
- Similar beverages menu and also offers cakes

Coffee Addiction believes it has a significant competitive advantage over O'Porto because of the following benefits:

- A more diverse beverage menu and a high quality cake menu
- We offer a relaxed environment. As the O'Porto restaurant is next to the café, it is really noisy. The place is covered by plastic instead of windows. There are not enough tables and the seats are fairly uncomfortable.

La Boemia

- It is a dine in, takeaway and coffee place. It offers breakfast and other fast plates
- It also offers accommodation above the café

Coffee Addiction believes it has a significant competitive advantage over La Boemia because of the following benefits:

- A more relaxed environment. La Boemia's premise is fairly small; the café does not offer too much room to move in.
- Unlike Coffee Addiction, La Boemia offers a standard coffee menu.
- La Boemia recently changed its name and acquired a new management team, which cast doubts as to how profitable the business is.

Porccini Café

- Coffee Addiction's main competitor
- Located only seconds away from the station, so it is the commuters' prime stop on the way to and from work
- Offers breakfast and is currently offering discounts on breakfast. It also offers other fast plates
- A fairly extensive beverage menu at a reasonable price
- Has seating areas outside and inside.

Coffee Addiction believes it has a significant competitive advantage over Porccini Café because of the following benefits:

- Offer different exotic beverages also at a reasonable price
- Wider cake selection
- By not offering breakfast we will specialise more in the providing higher quality coffees.

Since the coffee market is wide open for small business operators, Coffee Addiction will not have to compete against larger shops as it does not interest larger shops (EBC , 2005).

Market Strategy

Coffee Addiction's main target market is the daily commuter. The majority of our customers would be the people who travel to or from the station. We, however, have to find ways to attract the people to our café, as the closest one to the station is Porccini Café. Therefore, we will use street signs and distribute pamphlets directly to commuters of our café. Our aim is to attract as many commuters possible and build our relationship with them, so that we will have a fixed customer base. Our relaxed environment is guaranteed to entice people to come in, have a coffee with a piece of cake and relax, especially after a long day's work.

The chart below shows our marketing strategy for the first six months of operations.



Suppliers and Buying Strategies

Major Product	Suppliers	Buying Strategy
Coffee beans and supplies	Aroma Coffee	Buy when stock is getting low
Sweets	Epicurean Kitchens	Once-twice a week or when stock is low
Artificial sweetener	Equal	Buy when stock is getting low

See Appendix D for information on Aroma Coffee.

See Appendix E for the menu list and prices of Epicurean Kitchens sweets.

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BUSINESS FINANCIALS

Some of the figures used come from industry averages from EBC and ABS.

Business dollar profile

Sales	\$363,000	100%
Cost of goods sold	\$130,680	36%
Gross Profit	\$232,320	64%
Expenses:		
Rent*	\$40,560	11%
Wages and Salaries **	\$65,340	18%
Depreciation	\$7,260	2%
Telephone	\$5,500	1.50%
Advertising	\$18,150	5%
Insurance	\$6,840	2%
Loan repayments and interest	\$5,360	1%
Electricity***	\$6,594	2%
Supplies	\$24,613	10%
Renovations and Maintenance	\$11,000	4%
Total	\$191,217	51%
Net Profit	\$46,463	13%

The average industry net profit (before owners' salaries) is 16.01%, so for our first year of operation Coffee Addiction is in a good position.

For more information on industry average see Appendix F

Revenue, expenses and profits projection

		<i>Year 1</i>		<i>Year 2</i>		<i>Year 3</i>
Sales		\$363,000		\$405,670		\$429,453
Cost of goods sold		\$130,680		\$146,041		\$154,603
Gross Profit		\$232,320		\$259,629		\$274,850
Expenses:						
Rent*		\$40,560		\$40,560		\$40,560
Wages and Salaries **		\$65,340		\$71,221		\$71,221
Depreciation		\$7,260		\$7,364		\$7,425
Telephone		\$5,500		\$5,620		\$5,757
Advertising		\$18,150		\$15,680		\$11,330
Insurance		\$6,840		\$7,203		\$7,258
Loan repayments and interest		\$5,360		\$5,360		\$5,360
Electricity***		\$6,594		\$7,051		\$7,328
Supplies		\$24,613		\$25,782		\$25,875
Renovations and Maintenance		\$11,000		\$6,000		\$4,500
Total		\$191,217		\$191,841		\$186,614

Net Profit	\$41,103	\$67,788	\$88,236

* Rent - 780 p/week

** Staff only, not owners

*** 126p/month + 1.4% of sales

Main critical success factors

There are four main critical success factors that Coffee Addiction has to meet:

1. Great location- a visible location with high traffic (people and cars) volume and convenient access.
2. Best products- Freshest coffee beans, cleanest equipment and consistent favour
3. Friendliest staff- cheerful, skilled, professional staff. Have a friendly but up-market atmosphere
4. Finest reputation- word-of-mouth advertising and great promotions

Physical resources for the business

Details		Cost \$
Premises	Leased	----
Equipment	(View Appendix C)	\$22,475.20
Furniture	(View Appendix C)	\$6,248
Other	Fittings and Sink	\$6,174
Total		\$34,897.20

Pre-start-up finance

	Advanced payments: rent	\$2,340

Purchase of furniture & equipment	—	
Renovation	\$10,000	
Legal and other professional fees	\$4,500	
Licences and permits	\$7,000	
Insurance in advance	\$570	
Loan establishment and line fee	\$880	
Electricity	\$126	
Telephone	\$460	
Pre-opening advertising	\$4,500	
Purchase of stock	\$2,748	
Total	\$33,124	

Working capital for the first three months

	Working owner's salary	\$10,000	
	Staff salary	\$16,335	
	Rent	\$2,340	
	Insurance	\$1,710	
	Electricity	\$1,649	
	Maintenance	\$2,750	

	Advertising	\$4,538	
	Telephone	\$1,375	
	Depreciation	\$1,815	
	Interest and loan repayments	\$1,340	
	Supplies	\$6,153	
	Total	\$50,004	

Cash flow- initial year

	Owner's cash invested	\$100,000	
	Sales revenue	\$363,000	
	Total cash received	\$463,000	
	Cash paid- expenses	\$191,217	
	Cash paid- equipment and furniture	\$34,897	
	Cash paid- others	\$12,500	
	Total cash outflow	\$233,254	
	Cash at end of initial year	\$229,746	

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BUSINESS OPERATIONS

The Café will open every day except on Tuesdays. It will open from 9:00am – 5:00pm .

A typical day at the Café:

1. Stock the cake display (Antonio's duty). Turn on the coffee machine in order for it to heat up and refill the coffee grinder with coffee beans.
2. Make sure the tables and chairs are in order and that there is sufficient change in the cash register.
3. Serve the customers. The customer has the choice of paying when they receive the coffee or after when they are about to leave.
4. No employee is allowed to take a break at 9:00am-10:00am or at 11:30am-1:30pm , as those are the times when the café gets most customers.
5. The waitress is required to go around and clean the table tops, so that it is ready for our next customer.
6. The dishes will have to be washed every 30-45 minutes.
7. The toilet will always be checked to make sure that there is enough paper, soap and that there is no excess garbage.
8. At the end of the day, the banking will be done by either Catarina or Sandra Pita Santos. A checklist of the employees that worked will be recorded. We do not pay hourly rates for the employees, as we are a family-owned business we decided to have a fixed wage and increase it proportionally to the growth of the business.
9. Clean the tables, the coffee machine, the floors and the toilet at the end of the day. In addition, we will clean the cake display and if there are any cakes that are suitable for sale the next day we will place them in the refrigerator.
10. At the end of the day Catarina will process any supplier invoices that need to be paid, or apply payments to invoices using MYOB. She will also process the daily sales of the café.

Once a month, Antonio will go over the daily sales to see which products have been profitable and which have not. He will then monitor the unsuccessful products for a while and if there is no change in the demand than we will eliminate them from the product line.

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BUSINESS FUNDING

Return on funds invested

		Start-up year	Year 2	Year 3
	Owner's funds: beginning of year	\$100,000	\$100,000	\$100,000
	Owner's funds: end of year	\$100,000	\$100,000	\$100,000

Owner's funds: average for year	\$100,000	\$100,000	\$100,000
Profits before owner's salary	\$41,103	\$67,788	\$88,236
Owner's salary	\$40,000	\$60,000	\$80,000
Net profit for return on investment	\$1,103	\$7,788	\$8,236
Return on investment (%)	1.10%	7.79%	8.24%

Summary on funding request

<i>Funds required for</i>	
Purchase of assets	
Pre-start up expenses	
Working capital: 3 months	\$50,004.00
Total	\$118,025.20
Sources of funds	
Owner's initial investment	\$100,000.00
Total available	\$100,000.00
Additional funding required	\$18,025.20

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The bank loan:

- The loan requested is \$20,000
- BetterBusiness Loan Package from Commonwealth bank
- The Establishment fee and line fee totals to \$880
- The loan is for 5 years fixed at a rate of 6.80 p.a.
- See Appendix G for more information on the bank loan.

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APPENDICES

[Please click here to download appendices.](#)

Appendix A- Location and Map of Premises

Appendix B- Floor Plan

Appendix C- Furniture and Coffee equipment

Appendix D- Information on Aroma Coffees

Appendix E- Epicurean Kitchen Product and Price List

Appendix F- Industry Averages

Appendix G- Information on the bank loan

About the Author

Catarina Pita Santos is currently completing her final year of a Bachelor of Business degree, majoring in Accounting. She has been studying at ACU full-time since the beginning of 2003. During her spare time Catarina enjoys music, movies and outings.

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