MANAGEMENT CONTROL SYSTEMS IN THE TRADITIONAL CLANNISH SOCIETIES: A CASE STUDY OF A TELECOMMUNICATION COMPANY IN SOMALIA

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By

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ABSTRACT

Both traditional and contemporary perspectives of management control systems (MCS) failed to cope with the socio-cultural settings of the organizations operating in the traditional societies. The evolution of MCS in this socio-cultural context is an emerging research issue that has received less attention in the current MCS research. Therefore, this study attempts to understand, interpret and report the main MCS themes of organizations operating in the traditional societies of less developed countries. Based on the MCS literature, a conceptual framework was developed to better our understanding of the MCS forms that are practiced by the business organizations that are operating in the traditional clannish societies of Somalia. A qualitative case study was adopted to collect the field data from one of the telecommunication companies in Somalia. Similarly, the study uses semi-structured interviews with the executive directors, heads of divisions and some selected customers. To triangulate the data sources, observation and document analyses were employed. The findings of the study show the role of traditional clannish culture on the MCS development in Somalia. The prevalent MCS themes of the studied company include: clannish ownership, paternal leadership, collective responsibility, horizontal relationships, clannish customer recruitment/retention, clan-based selective employment of investors/staff, familial information sharing networks, friendship and personal trust, verbal communication, informal decision making process, centralized control practices, restricted information to specific groups and oral circulation of financial information. These control practices of the telecommunication company in the traditional clannish societies renders formal MCS to become less relevant. Therefore, the traditional clannish norms might play an important role in the emergence of specific MCS forms in the traditional clannish environments like Somalia. The outcome of the study calls for further researches to better our understanding of the MCS evolution, particularly that of the traditional societies in the developing nations.

Keywords: management control systems, business governance, traditional clannish societies
ABSTRAK


Kata kunci: sistem kawalan pengurusan, tadbir urus perniagaan, masyarakat kesuakuan tradisional
ACKNOWLEDGEMENT

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May Allah bless all of our efforts to uphold the true concept of knowledge, In Shaa Allah, and for His sake (SWT).
Current Somalia’s Administrative map (after the collapse of the Central State in 1991, to this year of 2014)
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CIA</td>
<td>Central Intelligence Agency</td>
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<td>e.g.</td>
<td>Example</td>
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<td>et al.</td>
<td>And others</td>
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<tr>
<td>GM</td>
<td>General Manager</td>
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<td>GSM</td>
<td>Global System for Mobile Communication</td>
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<td>HR</td>
<td>Human resource</td>
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<td>i.e.</td>
<td>That is</td>
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<td>IGAD</td>
<td>Inter-Governmental Authority on Development</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
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<td>KPIs</td>
<td>Key Performance Indicators</td>
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<td>MCS</td>
<td>Management control systems</td>
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<td>NIE</td>
<td>New Institutional Economic</td>
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<tr>
<td>NIS</td>
<td>New Institutional Sociology</td>
</tr>
<tr>
<td>OIE</td>
<td>Old Institutional Economic</td>
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<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<tr>
<td>TFG</td>
<td>Transitional Federal Government</td>
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<td>TNG</td>
<td>Transitional National Government</td>
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<td>TSOM</td>
<td>anonymous name for the case organization</td>
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<td>UIC</td>
<td>Union of Islamic Courts</td>
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CHAPTER ONE

INTRODUCTION

1.1 Introduction

One of the main features of management control systems (MCS) in the developing countries is that MCS is an extension and a product of its social structures and norms that is constitutive in its social relations (Hauriasi & Davey, 2009; Uddin, 2009). The influence of societal systems on MCS design and use has been identified as an important determining factor that reveals the development of MCS patterns as social practices (Hauriasi & Davey, 2009; Hofstede, 1980, 1987; Wickramasinghe and Hopper, 2005; Uddin, 2009).

Previously there were questions on whether an MCS that is developed in certain social contexts is appropriate or valid to any other social settings (Hofstede, 1980, 1984; Jackson, Amaesha & Yavuz, 2008; Perera, 1994; Wickramasinghe & Hopper, 2005). Since then, there was a move to reconsider the socio-political and economic settings of the respective society as the main determinant of its socio-political and economic practices, including MCS patterns. Based on the socio-cultural factors of the respective society, various MCS themes, patterns and concepts may emerge. In response to such diversity and to understand MCS as a social phenomenon, numerous scholarly efforts have been offered recently (Efferin & Hopper, 2007; Mellahi & Wood, 2003; Tsamenyi, Noormansyah, & Uddin, 2008; Uddin & Choudhury, 2008; Uddin, 2009). These studies explored the forms of MCS embedded in its social systems and the results generally shown a lack of definitive conclusion.

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