Research Executive Summaries Series

Management accounting and development: privatisation, accounting, and regimes of control in a less developed country (LDC)

Vol. 1, No. 15

By
Shahzad Uddin, School of Management, Queen's University, Belfast
Trevor Hopper, Manchester School of Accounting and Finance
Audience
The project findings will be of interest to policy makers, economists, advisors and
decision-makers at funding organisations such as the OECD, International Monetary
Fund, and World Bank, and also to advisors of governments of LDCs.

Overview of Project
This paper reports an intensive case study of PC - a soap manufacturing company
located and established in what was then East Pakistan. PC was nationalised
following the granting of Bangladesh’s independence in 1971 and privatised in 1993.
Theoretically it is informed by Burawoy’s contributions to labour process theory,
especially how the consent of labour is manufactured through internal states,
internal labour markets and games, and how regimes of control in less developed
ex-colonial countries are transformed by state and production politics. How the role
of accounting systems may shape and be shaped by these processes is also traced.

In addition to the reported case-study findings, the paper draws from Burawoy’s
(1979, 1985) theorisation of management controls of labour processes which
develops a political economy of accounting in LDCs. It addresses:

1. How, if at all, accounting helped achieve control at the point of production,
   whether based on consent or coercion?
2. Whether / how state politics involving political parties, classes, trade unions, and
   external financial institutions interacted with labour resistance at the point of
   production to transform controls, including accounting?
3. Whether the historical transformation of accounting in enterprises in LDCs,
   especially ex-British colonies, can be modelled?

Related research
Abdeen, 1980
Anderson & Lanen, 1999
Frucot & Shearon, 1991
Rahman & Scapens, 1986
Ansari & Bell, 1991
Findings
Taking three distinct episodes in the transition of PC’s history, the following features are noted:

   - Established in 1959, PC operated as a private company in (West) Pakistan. It relied on foreign capital, which had control of the company, its employees and their possessions.
   - Financial accounting reports, although important for controlling overall performance, were unnecessary for controlling employees.
   - Colonial powers granted limited labour rights and collective bargaining power. Control was coercive, arbitrary, physical, sometimes violent and racist.
   - The colonial government exerted little control over PC and a company state emerged.
   - Accounting was unnecessary for controlling employees but financial reports were important for controlling overall performance, securing remittances to company headquarters overseas, and satisfying external reporting requirements of the parent company.
   - Over time trade unionism and labour resistance led to riots and strikes, and colonial powers granted limited collective bargaining and labour rights.
   - Following a brief war, Bangladesh was granted independence from (West) Pakistan in 1971.
   - By 1971 PC had increased its product range, production, and profits.
   - Public and political turmoil accompanied Bangladesh’s struggles for independence from West Pakistan. Many West Pakistanis, including PC’s owners abandoned their enterprises and left a managerial vacuum.
   - Significant industrial restructuring was essential.

   - Legal-rational boundaries and bureaucratic controls, regulated by the state and based on western economies were introduced.
   - 1975 was, politically and economically, a particularly turbulent year for Bangladesh – 25% of GDP went to inefficient public enterprises, and fiscal crises ensued.
   - After 1975, Bangladeshi governments increasingly turned to structural adjustment policies (Government of Bangladesh, 1976, 1985, 1990), influenced by World Bank and IMF pressures to adopt programs of market liberalisation and privatisation.
   - PC came on to the privatisation lists of government in the late 1980s, and was partially privatised in 1988.
   - PC flourished and was profitable.

   - PC was fully privatised in 1993 with one family controlling and owning 75% of its shares.

Conclusions
On the evidence of PC, the changes in political and economic regimes resulted ultimately in the abandonment of production politics and a rise in crony capitalism. This was due to pressures from:
   - a rising business class
   - agencies of external capital.

Diagramatic representations of the researchers’ developed models are included.
Published papers


CIMA (The Chartered Institute of Management Accountants) represents members and supports the wider financial management and business community. Its key activities relate to business strategy, information strategy and financial strategy. Its focus is to qualify students, to support both members and employers and to protect the public interest.

December 2005