



CIMA Global Academic Research Programme

Using management control systems to balance accuracy, immediacy and innovation in a news organisation



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Key conclusions

- We observe in a setting characterised by a rapid pace and the need for immediacy in service delivery, that the presence of strong personnel, action and cultural controls alongside external standards such as industry codes of conduct, can reduce the need for results controls.
- Our results show that in a setting characterised by a rapid pace, and the need for immediacy, a significant amount of managerial time can be saved by allowing managers to focus on their roles without having to also be concerned with budget responsibility. However, an absence of budget responsibility can also potentially lead to adverse outcomes.

Abstract

Using a case study of a news organisation, this project investigates how management control systems are used to assist an organisation balance the seeming tensions between accuracy in its news content, the need to 'break' stories as soon as possible, and the need to be innovative in the creation and delivery of news content.

The proliferation of news, both from official providers and 'unofficial' providers, (e.g. news blogs, individuals on social media), has transformed the media industry into one that is highly competitive and dynamic. The study contributes to practice by being the first, to our knowledge, to consider how management controls are deployed to manage the constant tensions between the need for accuracy and immediacy in service provision, and the pressures to innovate in such a highly competitive and dynamic industry.



Introduction

Various academic researchers have identified the need for management control systems to hold seemingly competing objectives in tension. For example, Simons (1995) has noted the need for management control systems (MCS) to balance tensions between profit, growth and control, and between long-term and short-term needs, while Ahrens and Chapman (2004) position their enabling/coercive management control framework as guiding organisations to simultaneously achieve the seemingly conflicting goals of efficiency and flexibility. Similarly, Frow, Marginson and Ogden (2010) focus on the role of a management control tool, 'continuous budgeting', in assisting in managing the tensions between the need to meet financial targets, and the need for greater flexibility and innovation.

Our study aims to contribute to academic and practitioner knowledge by considering how management control tools are used to assist managers in enabling these seemingly conflicting objectives to be simultaneously achieved. In doing so, we see our study as contributing to the small body of research, such as Ahrens and Chapman (2004) and Frow et al. (2010), which have explored the potential for MCS to potentially support the pursuit of multiple, seemingly conflicting, objectives in a context of a highly dynamic and competitive environment.

Objectives

The objective of our study is to examine how management controls are used to balance the apparent tensions between accuracy, the need for immediacy, and the pressure to innovate. We study this issue in the context of a national news provider, which we identify by the pseudonym, NatNews, where pressures to be the first to 'break' news stories need to be balanced against the need to provide accurate content. Additionally, NatNews, like any news provider, faces pressure to be innovative in the delivery of news services to differentiate its offering from a multitude of providers across many different media platforms (for example, television, print media, radio, digital media).

Within this context, we address the following research question: How does an organisation use MCS to balance the seeming tension between the goals of accuracy and immediacy in service delivery, while seeking to differentiate its services from competitors?

Research methodology

We undertook our field study of NatNews, an Australian national news organisation, between October 2015 and September 2016. NatNews is headquartered in a major Australian city, and has bureaus in most other major Australian cities. NatNews is primarily focused on the delivery of television news content (both live news and news-related, magazine-style programming).

Our interest in studying NatNews, or indeed a news organisation more generally, stemmed from the fact that news organisations operate in an environment characterised by heavy competition from multiple sources, and a strong need for both immediacy and accuracy in the delivery of news. As such, it represented an ideal environment in which to observe the phenomena of relevance to our study.

As part of our field study, we conducted 17 interviews with 14 staff members, attended editorial meetings, observed work practices at NatNews (including the delivery of live news broadcasts), and examined both internal and publicly available documents. Given the public profile of the organisation, a considerable amount of public information was available. Our approach was consistent with standard procedures for the collection and analysis of qualitative data.

Main findings and implications for practice

We organise our findings firstly by identifying the types of controls used following Merchant and Van der Stede's (2012) typology of MCS, which comprises personnel, cultural, action, and results controls. We then explain how controls were used according to the three main themes that emerged from our analysis.

Table 1: The types of controls used at NatNews

Merchant and Van der Stede's types of controls	Definition (from Merchant and Van der Stede, 2012)	Examples noted in the case
Personnel controls	Controls which build on individuals' tendencies to control themselves, which can be implemented through recruitment, training, and job design and resourcing.	<p>Recruitment: strong emphasis on recruiting the 'right' type of employee.</p> <p>Training: staff are trained in all aspects of news.</p>
Cultural controls	Controls designed to promote mutual monitoring, to encourage people to pursue group norms.	<p>Tone at the top: The role of the CEO and other senior managers in setting the culture of the organisation, and, making expectations clear through their conduct.</p>
Action controls	Controls that ensure that an employee performs actions that are beneficial to the organisation, and, that limit an employee from performing actions detrimental to the organisation.	<p>Pre-action reviews: examination of the plans of staff being managed (e.g. morning editorial meetings).</p> <p>Action accountability: holding employees accountable for their actions:</p> <ul style="list-style-type: none"> – Involves communication to all staff of what is acceptable/unacceptable (staff receive information about their legal obligations, defamation law, etc; there is also an industry code of conduct). – Staff are expected to exercise their professional judgement and act appropriately.
Results controls	Controls that involve rewarding employees, or holding them accountable, for achieving certain outcomes.	Limited evidence of performance being linked to financial rewards, or of the setting of performance targets against which news staff are evaluated.

Using management control systems to balance accuracy and immediacy

Our primary focus in this study was to consider how an organisation used management control tools to seek to manage the tension between the need for immediacy and accuracy in service delivery. A significant way in which the trade-off between accuracy and immediacy is managed at NatNews, is that completeness can be sacrificed in the news context. That is, given the nature of news, it is possible to run a story based on what is known at a given point in time, and then update the content as additional facts come to light and are verified. Having multiple reliable sources is crucial in managing accuracy. This approach is 'drummed in' to junior staff through on-the-job training. In circumstances where it is not apparent whether to run with a story based on available information, pre-action reviews are used. Culture also plays a role in the kind of content aired since reputation in the industry is vital. NatNews tends to take a conservative position:

"It's nice to be first but I want it right [rather] than first and if we're a few minutes behind because we've actually taken the time to check, or we're a little bit more cautious then I'm happy with that".

Although the nature of the work does defy routinisation, managers try to routinise where possible, with each day starting with a pre-action review in the form of a national editorial meeting. Editors from the various bureaus 'check in' to discuss the stories that they intend to cover on a given day. This is partly done as a planning tool, but also to enable senior editorial staff to critique ideas, ask questions, or even veto a planned story if they believe more work on it is required, or if they are concerned it may not be of sufficient interest to NatNews' national audience. One editor described efforts to routinise activity at NatNews as follows:

"There can be a degree of free planning in terms of what are going to be some of the big events. But that's not going to cover the hours of live television that I need to fill every day. So while you can provide a basic structure around what you cover and what service you provide, whether it be through regular crosses that you do or the events that you know are coming up, you don't know what news is going to break. You don't know if there's going to be any leadership spill or if there's going to be a downgrade to earnings. So you just have to take that as it comes."

Hence hiring the right people with the right skills, empowering staff and action accountability are important. There is little use of results controls at an individual level. There are no KPIs around error rates. While ratings of programs are monitored by management, they are not used to directly evaluate and reward performance of news personnel. In fact, the compensation package for all news staff has no variable component, which is linked to performance.

In managing news content and delivery, NatNews has policies and training on defamation, and related legal issues; however, these do not seem to have high visibility within the organisation. One journalist commented:

“NatNews has policies and that sort of things around editorial [matters] and that sort of thing, [but] I haven't really seen or even read or been given a document about them. I've been given documents about social media policy but in terms of editorial and values I've never actually seen something written.”

The Australian media industry is also regulated by its own Code of Conduct. Notably, the very public nature of the industry and the level of embarrassment that would be suffered by an individual journalist, and by extension, the organisation, as well as the potential risks in terms of litigation if an error is made, serve as very effective controls on behaviour. It is widely understood that a flagrant breach of editorial policy resulting in something inappropriate going on air on NatNews would be very damaging to an individual's career, not only at NatNews, but more generally within the broader media industry. One state editor commented:

“I see us as almost like a wire service, we are first to get the information out which as you can imagine puts a lot of stress on ourselves to get it accurate. You also want to beat the competition but at the same time if it's not accurate, it's a great way to lose credibility.

It's a big situation of trust, because when someone is out at a story you are putting a lot of faith in them that they are going to do the right thing. Now if they don't, they never get on air ever again... You can do everything right most of the time, but one stuff up and that's what you are remembered for.”

This editor's comment about the role of trust was an important recurring theme at NatNews. Many respondents spoke about the importance of recruiting the 'right' people, and then allowing those staff to just 'get on with it.' Having said this, in addition to the formal policies at NatNews, and the industry code of conduct, there are processes in place to maintain accuracy, but these tend to be informal in nature, and also vary between state bureaus and programs. It is common for editors to check over each story before it goes to air, and some programs operate as teams, whereby work is checked within the team before it goes to air. In circumstances where the accuracy of content is unclear, it is expected that senior editorial staff would be consulted before anything is put to air. However, while there are policies and processes in place to enable news to get to air error-free in a timely fashion, there simply is not enough time, and there are too many judgement calls to be made, to allow every decision to be checked by multiple people before a story goes to air.

There is a view at NatNews that everyone is a consumer of the “NatNews” product – as such, action accountability is critical. If someone is watching the station at home, and they saw, for example, a typographical error in a caption for a story, they would be expected to make contact with the station and bring the error to someone's attention. A case in point was when one of the researchers spotted a typographical error on the NatNews website, and reported this via the site. The researcher promptly received a reply from the CEO of the organisation, appreciating the feedback on the error, indicating that it would be promptly addressed (it was).

A final point relevant to management control systems is that the CEO was firmly of the view that news managers (e.g. National and State Editors) needed to be freed up to focus on news, and not have to worry about financial concerns like managing budgets. This issue is discussed in more detail in the following two sections.

The role of budgets at NatNews

How does NatNews use budgets to manage immediacy and accuracy in news content and delivery, and to plan in the presence of uncertainty? Two main issues relating to the application of budgets at NatNews emerged from our analysis – the level of budget responsibility afforded to most managers, and the way in which the budget is used to accommodate the possibility of unforeseen news events, and the need to cover these as they occur.

Most managers at NatNews did not have budget responsibility. Budget management was primarily left to the CEO and the CFO, while those with managerial responsibilities within newsrooms, such as for example, State Bureau Editors, and National Editors did not have budget oversight. The CEO noted:

“We purposely don't do that to them [give them budget responsibility], because I want their construct to be journalism, not the number[s], that's my problem.”

These staff typically are from journalistic backgrounds, and do not have business or accounting training, so this approach had the advantage of allowing these managers to focus on their area of expertise – the production and delivery of news – without the ‘distraction’ of attending to budget-related considerations as well. Given the extremely fast-paced environment in which NatNews operates, it is difficult to imagine managers being able to juggle managing operations within the news room, appearing on-air at regular intervals, and managing budgets also. However, while this approach had clear benefits for NatNews, in terms of freeing up these managers to focus on their core business, i.e. news, it also led to some problems, which are discussed in the next section.

Clearly, unforeseen events occur all the time in covering news. The need to move quickly to provide coverage of these previously unforeseen events can have major resource implications. NatNews deals with this issue in their budgeting process by including a special line item in their budget for unforeseeable ‘special’ events, for example, natural disasters, based on historical occurrences. In the event that the amount is not needed in its entirety, these funds are free to be expended in the normal course of operations. In addition, based on prior years, predictions are made about how many federal and state elections are likely to be held in a given year. The costing of covering these has been done previously, and so a set amount is allocated in the annual budget for each anticipated Federal and State election.

Being a ‘lean’ organisation and pressures to innovate

A final theme that emerged very strongly from our analysis, and indeed a comment that we heard regularly from interviewees was the view that NatNews was a ‘very lean’ organisation. This pressure to be cost conscious permeates the entire organisation, and has created considerable pressure for managers and employees to identify ways in which to innovate to generate substantial and lasting cost savings for the organisation. This pressure to identify cost savings has led significant process innovation taking place within NatNews. A noteworthy innovation has been the deployment of camera/sound ‘packs’ that can be operated by reporters themselves while on location, eliminating the need for cameramen and sound technicians to accompany reporters on location. This ‘multi-tasking’ is common within NatNews – for example, we observed presenters applying their own make-up prior to broadcasts. In addition, newsroom staff are trained to handle all aspects of a story, from filming to editing, to preparing ‘straps’ (the words that run across the bottom of the screen providing details of stories). This is not something that is characteristic of NatNews’ main competitors, and has become part of what has been described within the organisation as the NatNews way of doing things, whereby it is expected that news staff will have a broad skill set, and be willing to work across the various areas of news production. This has led to both advantages and disadvantages for NatNews in terms of attracting and retaining talent. While NatNews’s approach represents a significant learning and training opportunity for junior journalists to gain exposure to all areas of the news process, some staff who feel the ‘NatNews way of doing things’ is too difficult, gravitate to more well-resourced competitors.

The fact that NatNews was very lean was acknowledged by all our interviewees. However, most managers at NatNews did not have responsibility for managing budgets. Hence the NatNews way of being lean was engendered primarily through cultural norms, rather than through action and results controls where staff were held accountable and rewarded based on how they performed against budget targets. The lean culture is pervasive and ingrained in most staff. In some circumstances, this has led to decisions that are arguably not in the organisation’s best interests. As one senior manager put it:

“The problem is that the culture that's developed here is that because we are lean and everyone that you talk to will say that – is that almost it's a risk because managers and staff become too cost conscious and they might do things that are risky from a personal perspective and you're like – no... So that's been twenty years in the making of that sort of culture.”

The potential risk to NatNews here was the fear that quality or safety might be compromised by staff taking things 'too far' in their quest to make cost savings, when in fact, there were sufficient funds to do things in the way that senior management intended. However, this circumstance arose in the organisation due to the strong cultural norms around tight cost control and the lack of budget responsibility afforded to junior managers.

Conclusions

Given the fast-paced news environment and the need for decisions to be made quickly, in the case of NatNews, staff have had a considerable degree of autonomy tempered by a strong use of personnel, cultural and action controls rather than results controls, including budgets. The organisation places strong emphasis on trusting people to do their job once the 'right' people are recruited to the organisation.

There is limited use of results controls around programs or managing news staff. There are editorial policies and news staff are provided with information on recruitment regarding defamation issues, but these are emphasised more through cultural and action controls, rather than having high visibility in the organisation. Additionally, an industry code of conduct plays a role in regulating behaviour. The public nature of the work, and the potential for significant reputation loss if a major error is made, is also a key driver of behaviour.

The fast-paced newsroom environment and the fact that most editors don't have business backgrounds have led to the decision to taking budget responsibility away from these managers. This decision, while probably necessary, has led to both positive and negative outcomes. On the positive side, the development of cultural norms around NatNews being a 'lean' organisation has led to major process innovations and substantial cost savings for the organisation. On the negative side, these deeply ingrained norms around cost reduction and the inability of staff with no budget responsibility to question the accuracy of these norms, has led to the risk of staff seeking to compromise quality or safety in order to reduce costs.

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