

Evolution of Management Control Systems in Private Nonprofit Higher Educational Institutions

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Abstract

This study addresses the use and evolution of management control systems (MCS) in private nonprofit higher education institutions (HEIs) in Pampanga as they undergo stages of development, which involve academic and MCS milestones. The case study method was used in investigating the evolution of MCS in three private nonprofit HEIs. From the results, an MCS transformation model for such HEIs was developed. The research reveals the significant role of evolved MCS in (a) efficiently managing organizational growth; (b) attaining operational quality for better and relevant academic services; (c) fostering empowerment, motivation, and values development among school heads or managers; and (d) promoting the HEIs' capacity development to respond positively to opportunities in their external environment.

Keywords: management control, evolution, stages of development, higher educational institution, operational quality, milestones

Introduction

Private nonprofit, nonstock higher educational institutions (HEIs) share the government's responsibility in providing quality higher education that will contribute to nation-building. In a 2011 conference, higher education stakeholders' representatives from the industry, academe, and government enumerated three specific concerns related to the quality of private higher education (Philippine Business for Education [PBED], 2011). Among these concerns is the private HEI's quality of operations, which relates to the accomplishment of the other two quality concerns—quality of faculty and quality of program offerings (PBED, 2011). Operational

quality is defined as the “optimal/efficient and effective use of resources to achieve the institution’s set outcomes (vision-mission-goals-objectives)”, the “smooth flow and execution of processes and systems”, and the HEI’s “capacity to implement quality educational programs consistently and sustainably” (PBED, 2011, p. 17).

The requirements of operational quality point to the HEIs’ need to use management control systems in their organizations. Anthony (as cited in Hofstede, 1981) defined management control as the “process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives” (p. 193). Likewise, Maciariello (1984) wrote that a management control system (MCS) aims to “assist management in the allocation of its resources so as to facilitate the attainment of the goals and the objectives of an organization” (p. 1). MCS involves planning, resource allocation, performance measurement and evaluation (Anthony & Govindarajan, 2007), as well as “monitoring performance and taking corrective action” to ensure the attainment of goals (Maciariello, 1984, p.2). All of the foregoing definitions or statements indicate the important role of MCS in the private HEIs’ pursuit of quality of operations (PBED, 2011).

These institutions need to respond to the challenge of improving the quality and relevance of educational services. Moreover, they have to adapt themselves to their changing environments (Franco-Santos, et al., 2014) such as rapid changes in technology and the implementation of the K to 12 program in the country. Hence, there is a need for MCS, which consists of the “mechanisms and processes used by organizations for measuring, controlling and managing their performance, for implementing strategies and, ultimately, for achieving their overall objectives” (Ferreira & Otley, 2009, p. 5), arose.

However, the control mechanisms and processes in MCS are evolving to ensure that an organization such as an HEI accomplishes its goals and objectives and remains strategically competitive (Franco-Santos, et al., 2014). Therefore, the required controls and processes depend upon the development stage and size of the organization (Flamholtz, 1996). As the organization grows, it requires evolving its management controls toward a formalized structure to set its direction toward its primary goal (Merchant &

Van der Stede, 2012). For a private HEI, this goal is the provision of quality higher education.

There is, however, a dearth of studies on the evolution of management controls and processes in non-profit private HEIs. To fill this gap, this research focuses on the MCS transformation experiences of three homegrown, nonprofit, nonstock private HEIs in Pampanga. Specifically, it addresses the research question: “How did private non-profit HEIs in Pampanga transform their management controls and processes from informal to formal systems?”

The Province of Pampanga is said to possibly be the “future metropolis that will replace the old, congested, and dying Metro Manila”, developed to be “an example of what a modern and international destination is in terms of business, urban communities and center for governance” (Beltran, 2017). This was accordingly stated due to ongoing and future projects and developments in the province, in particular the cities of San Fernando and Angeles, the town of Lubao, and the Clark Freeport Zone (Beltran, 2017). President Rodrigo Duterte specifically mentioned Clark to soon “become the next economic hub in Luzon” (Ballaran, 2017). Clark, with 1,260 business locators as of December 31, 2019 (CDC, 2019), also serves as employment generator. It reported 136,418 workers from these locators, which is an 11.47% increase from 2018 (CDC, 2019). These figures will definitely increase with the ongoing and future construction projects such as those for New Clark City, Clark International Airport, and the National Government Administration Center (Cardinoza, 2018). These projects are part of the “Build, Build, Build” (BBB) Program of the present administration (Mawis, 2018). Despite encountering some setbacks following the COVID-19 pandemic, the flagship projects under the BBB Program have resumed (Malindog-Uy, 2020).

Such developments present major opportunities for growth to both for-profit and non-profit organizations in the local communities, particularly private higher educational institutions. HEIs, known to be centers of knowledge and innovation, play an important role in providing quality education and training to produce and enhance manpower. There are also prospects for these HEIs to initiate collaborations or partnerships among other institutions, industries, and government agencies not only to

identify and fill manpower requirements but also to work on research development projects, thus contributing to both improving local job growth and economic progress (Porter, 2007). Among these educational institutions are homegrown, private nonprofit HEIs in Pampanga which have been operating for many decades. They are able to transform their respective organizations by using management control systems in managing their performance and are therefore equipped to meet the challenges posed by the ongoing growth (Franco-Santos, et al., 2014) in the province.

Purpose of the Paper

This study aimed to investigate the evolution of management control systems as private nonprofit HEIs underwent stages of development, to explore the use of the reward system as a component of the MCS, and to examine the benefits of evolved MCS on the HEIs' performance. From this study, a framework of MCS was developed in the context of the HEIs' organizational growth.

Anthony (1988) referred to formal management control systems as those with visible structures and explicitly authorized operations. These systems are designed for large organizations, where top management is not capable of making all decisions and is compelled to delegate some decision-making to lower-level managers. The larger the organization becomes and the more layers of management it has, the greater is its need for formal management control (Ramanathan & Hegstad, 1982). Such is the case for large schools like colleges and universities or HEIs. As they expand their operations, they need to adopt formal management control systems. The MCS comprises the HEI's clearly defined, documented, and purposely managed set of controls and processes, which evolved from informal to formal adoption.

The framework of this study involved (1) the use and evolution of management controls in the HEIs' stages of development, (2) the determinants of their emerging management controls, (3) the transformation of their organizational structures and management control processes, (4) their use of a reward system, and (5) the benefits of formalized MCS on their performance.

Use and Evolution of Management Controls

Many HEIs in the Philippines have been operating for decades and have experienced growth. Growth in these institutions is seen as a sign of success or progress. The indicators of growth may be in terms of the revenues generated from tuition fees and other school fees, physical and academic programs, student population, number of employees, or market share. Similar to other organizations, HEIs also undergo different stages of growth. Garcia (2016) however maintained that unlike business organizations, the school's commodity, which is education, is not prone to decline but can continue to grow and develop to contribute to national productivity.

Garcia's (2016) framework of study, which is based on his investigation of evolving schools in the National Capital Region, included the following four stages: initial stage (start of school operations), growth stage (characterized by expanding operations), maturation stage (marked by operational and resource stability, has professionalized and decentralized operations), and expansion stage (characterized by offering of graduate programs, physical expansion, pursuing or has acquired university status). The school, while undergoing its stages of growth, uses different types of management controls, where the extent of use depends upon the development stage of the school and its size. These controls include tools, techniques or functions used by the HEI administrator in influencing academic and non-academic managers to achieve the school's objectives.

Merchant (1998) proposed the use of four management controls—cultural, personnel, action, and results controls. Cultural controls serve to promote monitoring for people to adhere to norms and values. They are aimed to influence behavior before its actual performance. Personnel controls aim to clarify expectations and increase the likelihood of people to engage themselves in self-monitoring. These are also used to influence behavior before its actual performance. Action controls focus on monitoring the activities of people to ensure that they act properly, performing actions beneficial or not performing actions harmful to the organization. They are meant to influence behavior while the behavior is taking place. Results controls influence behavior to achieve organizational goals after behavior has taken place. They

are used to influence people's perception that desirable performance leads to rewards. According to Flamholtz (1996), these controls evolve from informal to formal use as organizations such as schools undergo their stages of development.

Determinants of Emerging Management Controls

Greiner (1998) stated that as organizations and their sub-units grow, they are at different evolution as well as revolution stages. Evolution is the growth stage, while revolution represents management practices unfit for the specific evolution period (Greiner, 1998). Management therefore is tasked with determining a new set of organizational practices that will become the basis for managing the next evolution stage (Greiner, 1998). Appropriate organizational responses then must be matched to a firm's stage of growth (Miller & Friesen, 1984). Thus, it is important that schools understand what cause the emergence of controls across the growth stages.

Age and Size of Organization. In his study of established, growing for-profit firms, Davila (2005) found that age and size determine emerging management control systems and that existing control systems affect the adoption of new ones. Through the learning experiences of the firm as it ages, an improved MCS emerges (Davila, 2005). As the organization grows in size, it "adopts systems that anchor informal interactions prevalent in its initial operations around a set of formalized systems" (Davila, 2005, p. 226). It is compelled to find new sets of organizational practices that become the basis for managing in the next period of growth (Greiner, 1998). Management practices and processes that work for a smaller-size entity are no longer appropriate as it grows (Merchant and Van der Stede, 2012; Simons, 2000, Flamholtz, 1996).

Strategic Thrusts. An organization's external environment presents strategic options which affect the emerging management controls (Anthony & Govindarajan, 2007). Generally, its strategic options include cost leadership and differentiation (Anthony & Govindarajan, 2007). Cost leadership can be achieved by emphasizing efficiency to minimize operational costs, while differentiation focuses on setting apart the organization's products or services from those of its competitors (Anthony & Govindarajan, 2007). For an HEI, it may be a differentiation of mission or programs,

enhancement of the school's physical appearance, or improvement in services (Shirley, 1988) such as quality of academic offerings. Whatever strategic options the organization will pursue, suitable controls should be chosen and implemented to support the strategic thrust (Anthony & Govindarajan, 2007).

Chief Executive Officer (CEO) Turnover. Davila (2005) and Greiner (1998) also emphasized that as the organization expands, the founder is usually replaced by a professional manager that necessitates the transformation of the informal organization into one that formalizes its processes. A manager who opts to retain its informal practices is limiting its growth (Greiner, 1998).

Transformation of Organizational Structures and Management Control Processes

The HEI's organizational structure refers to the school setup which consists of work assignment and delegation of duties and is graphically presented in its organizational chart. To better respond to growth, organizations transform their structures from centralized to decentralized form (Simons, 2000). According to Greiner (1998), it is impractical to centrally control growing organizations. The transition is necessary, since top management cannot be overwhelmed with details and has to delegate authority to managers (Flamholtz, 1996).

The HEIs' management control processes—strategic planning, budgeting, and performance measurement and evaluation (Anthony & Govindarajan, 2007)—also transform from informal to formal processes. Strategic planning pertains to the HEI's activity of setting its long-term goals and objectives and deciding on the strategies or programs to accomplish them. Budgeting follows strategic planning; it is the HEI's process of allocating resources for its planned activities. Performance measurement and evaluation involves measuring the HEI's actual performance with planned performance and evaluating the outcomes. Davila (2005), Greiner (1998), and Flamholtz (1996) stressed that organizations adopt formal management control processes and practices as they experience growth.

Use of Reward System

Anthony and Govindarajan (2007) recommended the use of a reward system in the MCS to motivate managers in performing for the best interest of the organization. In the academic context, Lisensky (1988) stated that since higher education is an intensely human enterprise, it follows that mechanisms should be incorporated to reward those who implement desired changes. Merchant (1998), however, proposed that rewards come in two forms—positive rewards and negative rewards or punishments.

Benefits of Transformed MCS

The organizations' use of evolving management control systems facilitates organizational growth (Merchant, 1998; Anthony & Govindarajan, 2007; Ramanathan & Hegstad, 1982; Greiner, 1998). These control systems are used to overcome the limitations of the early use of informal management approaches where personal and constant interaction and intervention by the manager is required (Greiner, 1998; Davila, 2005; Flamholtz, 1996; Simons, 2000).

According to Simons (2000), the controls used must be “phased in over the life cycle of the firm to effectively balance profit, growth, and control” (p. 309). He added that as the organization grows larger, informal processes become inadequate. Thus, for it to survive, the informal control systems must be formalized. The formal system provides for efficient goal achievement over the life cycle of the firm (Simons, 2000).

Therefore, the use of relevant and formal management control systems promotes both organizational growth and attainment of the organization's goals and objectives.

Methodology

Qualitative in design, this research adopted the case study method, an approach which, according to Yin (2009), is appropriate in examining and understanding the depth and richness of the phenomena within the real-life context. The study involved the cases of three private, non-profit HEIs located in the Province of Pampanga whose varied experiences and circumstances, to use the terminology

of Creswell (2013), reflected different perspectives ideal in qualitative research. The purposive sampling initially included all the five homegrown, private nonprofit HEIs in Pampanga, which have been operating for more than 35 years and offer complete basic education up to graduate programs. Unfortunately, only three HEIs responded to the author's requests for interviews.

The Cases

The three HEIs, hereinafter referred to as HEI 1, HEI 2, HEI 3, are all organized and registered as non-stock, non-profit educational institutions and have remained as such since the start of their operations. They possess rich academic histories and are known to have spearheaded the provision of learning in their immediate communities. They proved to be resilient amid the past economic downturn in the province caused by the eruption of Mt. Pinatubo and the pullout of American military troops from Clark Air Base. They also showed this resiliency when the K to 12 Program was implemented, which resulted in a lag in their enrolment for two academic years (2016 to 2018).

These schools have been operating for more than 35 years and exhibit the characteristics of organizations which have undergone the growth stages proposed in this study. Their organizational structures consist of multiple academic and administrative departments, which characterize the required structure for the use of a management control system. In addition, they have existing accredited academic programs and institutional and professional linkages which manifested their capacity to pursue quality goals. Two have earned university status from the Commission on Higher Education (CHED) and also International Organization for Standardization (ISO) accreditation from an external international certification and training body. All have an existing Center of Development (COD) status conferred by CHED.

HEI 1 is considered the first Catholic school in the country pioneered by the laity. It was founded by a member of a prominent family in the province and is currently headed by its eighth president. It was granted its university and autonomous status in 1981, and it earned its ISO 9001:2015 accreditation in 2019 for all its units and departments. This accreditation is the international standard for quality management systems. HEI 1 also has

accreditations from the Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) and the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA).

HEI 2, the youngest among the three HEIs, started as a family undertaking then evolved into a non-stock, nonprofit college foundation. It pioneered the offering of a bachelor's degree in computer science in Region 3. It currently has three satellite campuses, one located within the province and two in the National Capital Region. Since its initial operations, it has had only two presidents. It was granted a Center of Development status for its Bachelor of Science in Information Technology program and has bachelor's degree program accreditation from PACUCOA.

HEI 3 is an archdiocesan Catholic school, the oldest in Asia. As such, it installed members of the Pampanga clergy as school heads and is now headed by its sixth president. Granted university status in 1980, it earned its ISO accreditation for its quality management system in 2016, the first to receive one among educational institutions in Central Luzon. Almost all of its programs are PAASCU-accredited.

Research Instruments

Profiling questionnaires, in-depth interviews, archival records, documentations, and direct observations were used in gathering the data needed for this research. The use of multiple sources of information satisfied the triangulation requirement for case studies and helped address the problems of establishing construct validity and reliability (Yin, 2009).

Data Collection Procedure

Initial information about the HEIs was obtained from the schools' websites. Letters of request for interview were emailed or handed personally to the office of the school president. The interviews comprised the primary source of information. For this paper, the interview questions asked were: (1) What types of management controls were adopted in the HEI's stages of organizational development? (2) Why were these types of controls chosen? (3) How did the controls, organizational structure, and

management control processes evolve through the HEI's stages of development? (4) How did the reward system work in the HEI, and (5) What are the benefits of the formal MCS on the HEI's performance?

Semi-structured interviews were conducted separately with two representatives of each respondent school to satisfy the triangulation of information derived from them. These representatives included high-ranking officials deemed knowledgeable about the history, administration, policies, and management processes—both past and present—of their respective schools.

On the day of each interview, an informed consent form and a profiling questionnaire were accomplished by the HEI representatives. Upon consent, a digital recorder and a video camera were used to capture all the interviewee's responses. Each of the six interviews lasted between 47 minutes to one hour and 44 minutes.

Data Analysis

Creswell's (2013) and Yin's (2009) frameworks were used in analyzing the evolution of MCS in the three HEIs. The individual case findings were analyzed and categorized to form the within-case themes drawn from the verbatim responses of the HEIs' representatives. These themes were analyzed using cross-case synthesis to draw cross-case conclusions about the schools.

Discussion

The findings that are presented and discussed are based on the framework used in the study.

Evolution of MCS in the HEIs' Stages of Development

The HEIs' stages of development were characterized by significant accomplishments in their provision of educational services, which included both physical and academic improvements. The schools' representatives referred to these stages as milestones. These milestones also showed the use of management controls and control processes which comprise the MCS, and how they evolved

from informal to formal adoption. The stages also pointed to the transformation of the organizational structures from centralized to decentralized form and how the reward system was used in each stage.

Milestone 1: Initial Operations. This marked the start of operations by the school founders. The schools started with a few students and there existed ad hoc supervision. Cultural and personnel controls were initially adopted and used informally. There were no documents on file regarding the use of planned controls at this stage. All the interviewees believed, though, that the mission statement existed, since it was required from a school to guide its operation. This served as one of the cultural controls while the selection of qualified employees was a personnel control. All three HEIs included dress codes and leaders setting the cultural atmosphere through their behaviour and language as important cultural controls. HEI 3 also included spiritual activities such as retreats and recollections.

There was informal use of management control processes in all the HEIs. This is typical for small organizations; as Flamholtz (1996) stated, where the work planning process is typically informal, no explicit goals or standards are set, and performance appraisal is casual and intermittent. The organizational structure was centralized in form, as it was the president who was overseeing the daily operations, making decisions and personal interventions.

Milestone 2: Growth in Operations. This stage was characterized by an increase in student enrolment, academic offerings, and additional controls used. Interviewees from HEI 1 stated that they still did not have any formal organizational structure then and no Personnel or Human Resources Department, although some standard operating procedures and segregation of duties existed and served as action controls. According to them, there was also no formal curriculum of academic offerings in existence. HEI 2 representatives mentioned that they had recruitment guidelines, employee manuals and some training programs, but these were informally used. Periodic meetings and discussions among school managers were held but only as needed. All schools included the vision statement in this milestone stage. It was during this stage that the HEI 3 president was relentless in his vision of having their school elevated to a university. All the HEIs also included as results controls

the use of budgets, students' performance, and board exam results (except HEI 2 which was not yet offering courses requiring board exams during this stage).

Thus, all types of controls were used informally in this milestone stage as well as the management control processes—planning, budgeting, and performance measurement and evaluation. A representative from HEI 1 shared that their budgeting activity was primarily between the Finance department and top management only. Also during this stage, the schools' organizational structures were still centralized.

Milestone 3: Expansion and Quality Quest. This stage indicated the school's physical expansion and pursuit of quality in academic offerings through accreditation or application for Center of Development or university status from CHED. This is when the schools established their Human Resources Department and started designing into formal use their personnel controls. Because of accreditation requirements, the schools reviewed their controls and adopted better controls. The HEIs started transforming to formal use their cultural, action, and results controls. Written guidelines and procedures came into existence. As the schools expanded their operations, more layers in their organizational structures were added. Gradually, authority was delegated to the department heads and the organizational structure was designed into a decentralized form. Planning also evolved into formal strategic planning. The other management control processes started to be formalized.

Milestone 4: Formalization and Quality Initiative. This denoted the schools' quality initiatives as evidenced by accreditation of more academic programs or an ISO accreditation. The formal management control system was implemented to facilitate the accomplishment of the HEIs' quality goals. Management controls and control processes were formally used, and their organizational structures were decentralized.

The interviewees were asked to describe their HEI's transformation of controls and processes into a formal management control system. A representative from HEI 2 narrated how the school had been planning bigger and higher achievements. It had gone through being a Computer College to a Computer College Foundation and was able to establish satellite schools in other areas.

Through all these, management controls played a major role in attaining the HEI's plans. The representative said: "In Milestones 1 and 2, we only had ad hoc controls, use of trial and error, constant monitoring. In Milestone 3, formal controls were adopted, refined in Milestone 4. With formal controls...working without management's constant monitoring of actual performance."

A representative from HEI 3 shared how their management control processes transformed across their school's development stages. According to him, strategic planning was informal in the early milestone periods since there were no formal documentations on file. He related that the planning activity started in their third milestone stage and was formalized in Milestone 4, with strategic plans laid out in years where the latest was made in 2018. The budgeting process was formalized in Milestone 4, with department heads submitting their budget proposals for discussion with the budget committee for priority ranking and adjustments if needed. There exists now a budget committee which monitors each department's budget and furnishes each with a performance report. As to performance measurement and evaluation, this process was formalized in Milestone 4 as required by accrediting agencies. He added: "In the past, these were taken for granted but these are now being monitored and required by accrediting agencies like the ISO. (We) need to 'professionalize' processes."

For HEI 1, the representatives said it was inevitable for the school to evolve their use of management controls as the school was developing. Better controls were needed in each of the HEI's milestones. The succession of presidents saw the transformation from informal to a formal control system. Each leader was equipped with his/her own organizational skills and faced with differing circumstances. Each acted as he/she deemed best for the institution. There was "transformation of management processes through the years up to academic excellence." The representatives added that the HEI's consistent quest for quality transformed its organizational structure and its controls and control processes, institutionalizing them into a formal management control system.

Table 1 shows the detailed descriptions of the HEIs' development stages or milestones.

Table 1
HEIs' Development Stages/Milestones

	HEI 1	HEI 2	HEI 3
Initial operations stage	Milestone 1: Start of operations by the school founder	Milestone 1: Start of operations by the school founder	Milestone 1: Start of operations by the school founder
Growth in operations stage	Milestone 2: Increase in student enrolment and academic offerings	Milestone 2: Increase in student enrolment and academic offerings	Milestone 2: Increase in student enrolment and academic offerings
Expansion and quality quest stage	Milestones 3: Physical expansion, accreditation of academic programs, granting of university status	Milestone 3: Physical expansion, recognition of graduate program, COD application for IT course	Milestone 3: Physical expansion, accreditation of programs, granting of university status
Formalization and quality initiative stage	Milestone 4: Formal structure, formal strategic planning, formal budgeting, evaluation formalized, documentation of control processes, use of balanced scorecard, international benchmarking, local and international accreditations	Milestone 4: Formal structure, formal strategic planning, formal budgeting, evaluation formalized, use of benchmarking, accreditation of programs	Milestone 4: Formal structure, management controls and processes, ISO accreditation, Almost all academic programs accredited

Table 2 presents the specific controls used by the HEIs in their milestone stages under the categories of cultural, personnel, action, and results controls. The controls evolved from informal in the early milestone stages to formal use with the schools' adoption of a formal MCS.

Table 2
Types of Controls Used by HEIs in their Milestone Stages

Types of Management Controls	HEI 1				HEI 2				HEI 3			
	M 1	M 2	M 3	M 4	M 1	M 2	M 3	M 4	M 1	M 2	M 3	M 4
<i>Cultural Controls:</i>												
Mission statement	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vision statement		✓	✓	✓		✓	✓	✓		✓	✓	✓
Codes of conduct/ethics		✓	✓	✓			✓	✓	✓	✓	✓	✓
Corporate credos/general statements of corporate values			✓	✓			✓	✓				✓
Statement of commitment to stakeholders			✓	✓			✓	✓				✓
Dress code	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Leaders setting the cultural atmosphere through language/vocabulary used and behavior exemplified	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Others added: Spiritual activities e.g. retreats, recollections									✓	✓	✓	✓
<i>Personnel Controls:</i>												
Selection and placement of employees	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Recruitment guidelines/staffing policies and procedures		✓	✓	✓		✓	✓	✓			✓	✓
Employee manuals		✓	✓	✓		✓	✓	✓			✓	✓
Formal training programs/skill development programs			✓	✓			✓	✓			✓	✓
Informal training or mentoring programs		✓	✓	✓		✓	✓	✓		✓	✓	✓
<i>Action Controls:</i>												
Segregation of duties		✓	✓	✓		✓	✓	✓		✓	✓	✓
Work assignments		✓	✓	✓		✓	✓	✓		✓	✓	✓
Observance of standard operating procedures			✓	✓			✓	✓				✓
Periodic meetings/discussions		✓	✓	✓		✓	✓	✓		✓	✓	✓
Direct supervision or constant monitoring			✓	✓			✓	✓		✓	✓	✓
Project/program status reporting			✓	✓			✓	✓				
Checking of attendance, hours of work, breaks			✓	✓						✓	✓	✓

<i>Results Controls:</i>														
Budgets, performance standards or targets			✓	✓	✓			✓	✓	✓		✓	✓	✓
Surveys from stakeholders				✓	✓				✓	✓				✓
Evaluations/reviews				✓	✓				✓	✓				✓
Students' grades/performance			✓	✓	✓			✓				✓	✓	✓
Board exam results			✓	✓	✓				✓	✓		✓	✓	✓
Research publications				✓	✓									✓
Others added: Balanced scorecard					✓									

Determinants of Emerging Management Controls

Strategic Thrust. The schools' strategic thrust toward quality to differentiate their services required them to choose controls appropriate to this direction. An HEI 1 representative related:

They were chosen for tighter and better controls due to current demand for accreditations. Now we need to produce measurable results using metrics, determine future behavior and how much effort to exert with present metrics. With a 2 now, then be a 3 next time. We measure through the controls.

School Expansion. The schools also had to adopt the chosen controls to efficiently and effectively manage their growing institutions in terms of their increasing infrastructures, physical improvements, personnel, course offerings, and enrollees. Autonomy was delegated to the heads who were empowered and made accountable. This called for imbedding needed controls into the expanding organization. An HEI 3 representative said:

As the university grew, there was the need for more personnel, therefore the need for more formal offices...Became more complex at the end in terms of vice-presidents. Now the heads multiplied, so the need to segregate offices because of the increase in people. Academic cluster is the largest, so the need for assistant vice-president for academic affairs. Empower them (the heads) and they're accountable.

School Heads Turnover. Moreover, the turnover of school heads also determined the emerging management controls. This was the case of HEI 1, which had seen eight presidents through its years of existence. Each time a new president took the helm of leadership, he/she revisited the mission statement and put forth a new strategic plan for the school. Controls and control processes, which he/she deemed suitable, were implemented.

Use of Reward System

The reward system for school managers is one component of the HEIs' MCS to motivate and influence desired behavior in achieving the organization's goals. The types of rewards were mainly based on the school heads' performance and accomplishments. Some were given based on the heads' position and authority. When asked about any type of penalty, all representatives said their schools did not specify any penalties. Non-accomplishment of the targets meant non-receipt of rewards. Rewards were given in each of the HEIs' milestone stages except in Milestone 1 or the initial stage of operations. Table 3 shows these types of rewards which form part of the HEIs' reward system.

Table 3

Types of Rewards Used by the HEIs in their Milestone Stages

Types of Rewards	HEI 1				HEI 2				HEI 3			
	M 1	M 2	M 3	M 4	M 1	M 2	M 3	M 4	M 1	M 2	M 3	M 4
Salary increase		✓	✓	✓		✓	✓	✓		✓	✓	✓
Bonus or other monetary compensation							✓	✓			✓	✓
Fringe benefits or perquisites: Housing						✓	✓	✓				
Vehicle service			✓	✓		✓	✓	✓			✓	✓
Life insurance			✓	✓			✓	✓				
Health insurance			✓	✓			✓	✓			✓	✓
Improved work place/ environment		✓	✓	✓		✓	✓	✓			✓	✓
Designated parking space			✓	✓		✓	✓	✓			✓	✓
Vacation trips			✓	✓			✓	✓				

Others added			✓	✓	✓		✓	✓	✓			✓	✓
Educational benefit			✓	✓	✓		✓	✓	✓			✓	✓
Transportation, meals, communication allowance				✓	✓								
Allowance for vacation trips								✓	✓				
Flexible time schedule												✓	✓
Job security/tenure				✓	✓			✓	✓			✓	✓
Promotions				✓	✓			✓	✓			✓	✓
Recognitions				✓	✓			✓	✓			✓	✓

Benefits of Formal MCS

The formal MCS resulted in efficient management of organizational growth. As the services they offered expanded, the HEIs had to add more functions and delegate more tasks. Thus, they evolved their organizational structures into decentralized ones, necessitating the evolution of controls. The formalized controls identified clearer roles and responsibilities to the heads and set performance standards which formed the basis for measuring and evaluating performance. Since the management control processes were formalized, there was greater coordination of activities within the HEIs.

From the interviews, there was manifest commitment from all three HEIs to accomplish their goals and objectives. This was evident in the schools' physical growth, increased student and personnel population, and increased accreditations. In addition, they enjoyed the trust of their partner industries and the recognition given by their communities. The HEIs' representatives shared that their formalized control systems made possible these accomplishments. One of them said:

So now that we have shifted from informal to formal procedures or processes, and authority was delegated, it has become beneficial to the performance of the whole organization. Unlike informal, something you take for granted or assumed...Now we exercise little supervision [since we have] existing guidelines.

The formal MCS gave clear authority and participation in decision-making to school managers, which empowered and motivated them to work for the HEI's overall objective. A

representative from HEI 1 shared: “We used to be only second-class citizens, but now we get to sit with the Board. There is support from top management...The heads (managers) are happy now. They’re committed, they’re satisfied.”

The formal structures also generated positive work values among the school heads. Explicit and implied were commitment, job satisfaction, cooperation, and positive attitude. The interviewees mentioned the words: “happy”, “committed”, “satisfied”, “love work”, “open heart”, “accomplishing mission together”, “forgiving”, “working like brothers and sisters”, “look forward [to] working every day”.

MCS Transformation Model

From the three cases in this study, a proposed model for the transformation of management control systems in private non-profit HEIs is presented in Figure 1. It shows the evolution of controls and control processes across the HEIs’ stages of development, the transformation of their organizational structures, the transition of their MCS to a formal one, and the use of a reward system.

The model may serve as a guide to school administrators in managing their organizational transitions. It can direct them in the use of appropriate controls, help them determine how their organizational structures and control processes should transform, and show them how to respond effectively to conditions resulting from the HEIs’ changing environment.



Figure 1. MCS Transformation Model for Private Nonprofit HEIs.

Conclusion

The study validates the need for HEIs to evolve their control mechanisms and processes and transform them toward a formalized MCS to stay on course in capably fulfilling their goals. The formal MCS significantly promotes the development of the HEIs' sustainable capacity in achieving their quality goals, and allows them to be better equipped to respond positively to the opportunities provided by their external environment. Positive responses can be accomplished by offering relevant courses that meet the needs of their communities and by collaborating on programs and research projects that will maximize benefit to all stakeholders. The collaboration of HEI 1 with the Department of Science and Technology (DOST) to help Pampanga furniture manufacturers resulted in the production of a patented foam shredder machine. HEI 2 partnered with other schools and shared the use of its modern IT infrastructure with their students to better equip them. HEI 3 collaborated with DOST and giant lantern manufacturers in developing a prototype for cost-efficient sequencers for commercial giant lanterns.

The results of this study add to the body of knowledge pertaining to the importance of management control systems in the HEIs' pursuit of quality goals, the use and transformation of MCS as HEIs evolve through their development stages, and the specific benefits of MCS on the performance of the HEI. The study provides a framework for MCS in the context of organizational growth for non-profit private HEIs to fill the gap existing in this area of management control in the Philippine setting. It does not, however, aim to generalize its findings but encourages other researchers to extend this research to HEIs outside Pampanga or to private for-profit HEIs that will enhance the MCS perspective in these growing institutions.

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