



## **Government Budgeting and Consensual Spaces: The Case of Sri Lanka Railway**

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### Abstract

This paper argues that subjectivities occurring within consensual spaces, which are formed by constraints enforced by control systems of organisations. The paper uses a case study on the budgeting practices of Sri Lanka Railways Department (SLRD), owner a state entity of Sri Lanka, to demonstrate the phenomenon. The notion of consensual space is constructed drawing drawing on the Labour Processes Theory and Gramsci's Hegemonic Analysis provides the analytical lens for the study. The research is an ethnographic case study, generating empirical materials mainly through semi-structured interviews, content analysis of documents and secondary data from historical studies. Findings add to the LDC accounting studies and bring an explanation to the common finding in these studies that formal control systems such as budgeting systems become rituals in the face of socio-cultural and political conditions. Finally, this study shows how such organisations continue to be governed by idiosyncratic controls formed within consensual spaces.

*Keywords: Budgeting practice, Subjectivities, government budgeting, Management Control systems, Informal controls*

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## 1. Introduction

The post-COVID19 business context creates new challenges and difficulties to the society, implying the need of mutual support for everybody's survival. Concerning business organisations, these challenges illuminate the need of employee support. The employee support or resistance is a subjective reality of employees. Although the debate of subjectivity of employee participation in the name of 'labour process' is quite older, the time has come to revisit it.

The productive side of the subjectivities of the labour process has not received much attention from accounting studies. They mainly show how subjectivities of employees challenge the objective nature of management controls rendering them dysfunctional (Hopper et al. 2009; Hoque and Hopper, 1994; Uddin and Hopper, 2001; Uddin and Tsamenyi, 2006). Some sociological studies show how subjectivities can be a productive force (Cressay and McInnes 1981, O'Doherty and Willmott, 2009). [U1] This paper sheds lights on the productive side of subjectivities of the labour process concerning Management Controls (MC) of an organisation.

Budgeting practice mostly receives the attention of MC studies in the Less Developed Country (LDC) context and they attempt to identify macro socio-political conditions that influence budgeting practice. For instance, Grady and Akroyd (2016); Hopper et al. (2009; Hoque and Hopper (1994); Sharma and Frost (2020); Uddin and Hopper, 2001; Uddin and Tsamenyi (2005); Wickramasinghe and Hopper (2005). Most of them (for example, Hopper et al., 2009; Hoque and Hopper, 1994; Uddin and Hopper, 2001, Wickramasinghe and Hopper, 2005, Uddin and Tsamenyi 2005,) identify the existence of colonial legacies as a major explanation to the adverse socio-political conditions in these countries. MC systems survive within prevailing macro socio-political and economic conditions; which no one can change. To study MC systems, attention is required to analyse elements of management control systems to cope with macro environmental conditions.

The current paper has this focus and accordingly questions how subjectivities of the labour process contribute to create the reality of the budgeting practice? Such explanations will enlighten us as to how we

can make use of subjectivities of the labour process for the survival of a business organisation. This study has two objectives. First, to understand how subjectivities of the labour process encroach into the budgeting practice. Second, to understand how a budget faces these subjectivities creating the reality of the budget practice.

For this purpose, this research investigates the budgeting practice of Sri Lanka Railways Department (SLRD). Its budgeting practice is observed to have become merely a ritual, which is a practice everybody considers seriously but nobody is interested in receiving its directions for their actions. The selection of a state sector institution rather than private sector enables demonstrating how socio-political structures influence the budgeting practice. Sri Lanka Railways Department established in 1864 during the colonial regime is a politically sensitive state sector organisation well known for active trade union operations. This situation gives rise to a substantial degree of subjectivities in its labour process.

The paper uses a theoretical notion called 'Consensual Space'<sup>2</sup> to understand how unorthodox controls, taking place within orthodox control systems, produce a reality. The 'Consensual Space' is constructed drawing on labour process theory and hegemonic analysis and it indicates the extent that organisational members can exercise their discretion on their involvement (consent) within the organisational process without violating constraints enforced by orthodox MC systems.

This paper starts by reviewing the literature on the knowledge of management control practices within organisational contexts and the labour process debate with the focus on subjectivities. Then it discusses how hegemonic structures create consensual spaces. This is followed by a review of SLRD budgetary practice illuminating how the consensual space perspective can explain the budgeting practices. Finally, the paper concludes showing how the selected budgeting practice has produced its reality focusing on its constitutive elements.

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<sup>2</sup>The author identified this theoretical notion in his PhD thesis titled 'Budgeting, Accountability and consensual Spaces: The case of Sri Lanka Railway (2010) submitted to the Manchester University, UK.

## 2. Literature Review

Budgeting for the central government in LDCs has failed to operate performance budgeting, which focuses on allocating funds for intended outcomes, and still uses traditional approach focusing on the line-item-based allocation of funds (Ouda, 2013). The main characteristic of this method of budgeting is setting an upper limit in the budget allocation and ensuring that the organisational unit does not exceed the ceiling or upper limit. Since the importance of public budgeting is getting confirmed, the role and features of budgets may have to be discussed and reassessed (Anessi-Pessina et al., 2016). Discussions of the role of the budget within organisational contexts began in 1980s and still continuing. [U1]

Critical accounting studies attempted to understand how accounting works within organisational contexts. In that, many studies focused on the role of budgets. Some studies found that a budget plays an active role in shaping organisational change (Abernethy and Brownell, 1999; Argyris, 1990; Hopwood, 1987). Some other studies attempted to understand the interplay between budgeting and macro socio-political, cultural and economic conditions (e.g. Irvine, 2005; Llewellyn and Walker, 2000; Walker and Carnegie, 2007). Budgeting was recognised as part of a political game within an organisation (Peters, 2001). Cyert and March (1963) viewed budgets as a result of political bargaining within organisations. Covalensky and Dirsmith (1986) furthered this argument in the same line. Studies such as Hopper et al.[U2] (2009); Hoque and Hopper (1994); Uddin and Hopper (2001); Uddin and Tsamenyi (2005); and Wickramasinghe and Hopper (2005); explained how budgets in the LDC context interplay with their particular socio-political, cultural and economic contexts forming idiosyncratic practices. Kuruppu et al. (2016) demonstrate how participatory budgeting has become a practice of power and domination within an organizational context.

In relation for LDC's studies revealed that accounting systems formed with worthy intentions dysfunction due to implications from their macro socio-political, cultural and economic contexts. In common, they attempted to explain conditions which render budgeting systems dysfunction within organisational contexts in most cases, especially in the LDC context.

### 2.1 Labour Process, Subjectivities and Management Controls

The labour process debate took place in the decades of 1970 and 80. However, its content is still valid and worth to be discussed. The debate on subjectivities in the labour process began after the Braverman's (1974) assertion that the labour process can be objectified by removing its subjectivities. The subsequent arguments attempted to illuminate that subjectivities in the labour process cannot be removed (e.g. Cressay and MacInnes 1981; Knights, 1995; Littler, 1990). [U1]

Drawing on (Cressey and MacInnes, 1980; Jaros, 2001; Littler and Salaman, 1982; Storey 1983,1985; Burawoy, 1985; Willmott, 1995) subjectivities in controls can be defined as reactions of individuals or groups of an organisation based on their discretion in relation to MCs. Although, some neo-orthodox labour process analysts consider that subjectivities no longer exist (For example, Ahrens and Chapman, 2007; Thompson, 1989), still there are arguments to emphasise that subjectivities can never be removed from labour processes in organisations (e.g. O'Doherty and Willmott, 2001). The concurs with the latter and see how subjectivities are implicated in forming the reality of control within an organisational context.

Cressey and MacInnes (1980) elaborating on workers' subjectivities claim that every menial role of labour has discretion over their job. Littler and Salaman (1982) criticise Braverman's assertion of workers' recalcitrant behaviour pointing out his belief of capitalists' uncontested and unilateral control over labour process and neglect of resistance from the trade unions. Subjectivity applies not only to general workers but also to managers. Storey (1985) criticises Braverman for inadequate conceptualisation and treatment of managers simply as unproblematic agents of capital who despatch their global function of capital in a rationalistic manner. Hopper et al. (1987) focus on subjectivities in interactions among managers and workers in an organisation. However, managers are of two types: Senior Managers and Functional Managers. Only senior managers a small minority of have a material interest and outlook with shareholders of the enterprise (Eldridge et al., 1991). Other less senior managers who aspire to such positions may also have similar values, as far as they see a chance of reaching the levels of senior managers, while the majority of managers, who are classified as functional managers, therefore, have no such aspirations (Willmott, 1995). Functional managers' first alliance is with

their career, their families and their profession and not to the organisation where they are attached (Jackall, 1988). Thus, managers' discretion results in ambiguity in their involvements within capitalist organisations (Hopper et al., 1987; Whittington, 1994). For analysing subjectivities, workers as well as non-senior (functional) managers can be considered as employees and explanations of subjectivities in the labour process debate apply to them. Subjectivities of employees result in varied behaviours at work and are underpinned by relevant socio-political, cultural and economic contexts. Littler and Salaman (1982) point out the influence of non-work social institutions such as family and school, etc. on labour capacities; Such influences can make workers come to the factory gates prepared with customary work standards and to contribute even beyond the bounds of organisational rules and work specifications. Storey (1985) considers this as Braverman's neglect of diversity and complexity of the social control process within work organisations. Burawoy (1985) criticises Braverman for not having insights about the influence of political and ideological conditions in capitalist reproduction.

Although not discussed straight away, it is implied in LDC literature that the consent of some managers and workers make the survival and continuity of these organisations. Uddin and Hopper (2001) studying how the consent of labour is manufactured within a work organisation adopt Burawoy's (1979:27) definition of consent: "the necessity to elicit a willingness to cooperate in the translation of labour power into labour". This indicates that workers have discretion in cooperating with the production process. The consent at work is reflected in several other studies. Studies such as Uddin and Tsamenyi (2005); Wickramasinghe and Hopper (2005b); Wickramasinghe et al, (2004) imply that not only the consent of workers but also of managers and ruling politicians are involved in the continuity of organisations, which they studied. These studies also reveal that trade unions have powers to influence workers and they maintain their link with political leaders. Hence, the consent of trade unions matters too, in the continuity of such organisations.

Consent of employees has validity only when there is a space for subjectivities, which is the potential for discretion in the labour process, either by way of contradiction or consent. Hopper et al (1987) adopting

the dialectics of control perspective attempt to analyse implications of subjectivities in accounting controls by way of contradictions.

Not only contradiction, but subjectivities can also produce cooperation as well. According to Cressey and MacInnes' (1980) explanations, consent is embedded in the structure between capital and labour. Accordingly, the nature of capital labour relations depends on the perceived value of labour: exchange value and use-value. From the exchange value point of view, capitalists perceive labour as a commodity and seek valorisation through strict control over labour. From use-value point of view, capitalists perceive that labour supports valorisation and seek to abolish the commodity form and constraints imposed upon labour. This leads capitalists to develop labour as a subjective force so that it can unleash its powers of social productivity. On the other hand, workers, from the exchange-value point of view, are antagonistic towards the capitalists against the effort to treat their labour as a commodity for the goal of valorisation. However, from the use-value point of view, workers believe that they can have access to the means of production only when the viability of the production is maintained. Otherwise, they will have to face penury for not being able to sell their labour power. Hence, employees have the interest to contribute to the valorisation as far as the valorisation increases their benefits too. Thus, whereas beliefs of exchange value create contradictions, the use value creates cooperation in the labour process.

However, the recognition of cooperation between class agents cannot dispel the Braverman's assertion of objectification. Instead, subjectivities complement objectification in achieving control. For instance, to Burawoy (1985), the production process must be seen as an "inseparable combination of its economic, political and ideological aspects" (1985:25). In this explanation, the economic aspect is objective while others are subjective. The objective dimension or the economic realm of work may be activated by the subjective aspects or superstructure. Subjective action is voluntary and freely chosen, while objective behaviour is determined and controlled (Knights, 1990). According to Knights (1990), the subjectivity is related to creative actions, while objectivity constrains them. The constraining objectivity is recognised as objective structures. He notes: "in pursuit of capitalist surplus, these structures are seen to direct and

distort the creative potential of individual subjects" (1990:303). To Knights and Willmott (1990), subjectivities cannot exist independently of objective structures and therefore can occur with the residual autonomy. Thus, the exercise of autonomy by subjects is subject to constraints of objective structures. Objective structures, therefore, can be defined as dominant patterns of relationships, constraining actions of subordinates. Accordingly, managerial configurations of control (Storey, 1985) or managerial prerogatives (Storey, 1983) or MCSs emerge from objective structures to constrain subjectivities.

## 2.2 Consensual Space

According to Abeysinghe (2010) the notion of consensual space is derived drawing on subjectivities of the labour process discussed above. The constraints demarcated by objective structures form consensual spaces, wherein subjectivities operate. According to Thompson (1990), the subjective action of workers may indicate contradiction to or cooperation with objective structures depending on their political and ideological base. This paper focuses on consent, which emanates from the cooperation dimension. Consent is different from cooperation. Consent creates an action on 'will and consciousness' (Marx, 1975), a supportive autonomous human action (Knights, 1990). Cooperation requires only the agreement and is a response corresponding to the use-value dimension in capital-labour relations. Consensual space is the space demarcated by objective structures, within which consent occurs. [U1]

Formation of objective and subjective structures within organisational contexts occur within wider socio-political conditions. Gramsci's (1971) hegemonic analysis explains such wider socio-political dynamics. It recognises the state-mediated capitalist social process as hegemony. Hegemonic ruling occurs when a dominant group of the society exerts ruling over others with the consent of ruled; Hence, the consent of ruled is fundamental to the sustenance of hegemonic ruling (Femia, 1981). However, only the majority of a society have the consent to the hegemonic rule and therefore, rulers seek coercion to control those who do not obey (Cooper, 1995). Hence, consent and coercion are the main pillars of the hegemonic rule.

Rulers attempt to enhance consent of ruled to their ruling. According to Gramsci (1971), hegemony is constituted of arrangements for establishing intellectual and moral leadership as well as coercive apparatus. The need for these two types of apparatus creates two types of institutions: civil society and political society. Civil society institutions are involved in producing, directing and maintaining spontaneous consent to the status quo (Holub, 1992). Those institutions include a range of institutions such as education (e.g. school system), religion (e.g. temples or church), political parties, sports teams, the family and microstructures of the practices of everyday life (Holub, 1992; Jones, 2006). Political society institutions coerce various strata of the society into consenting to preserve the status quo; they include institutions of law, army, police and prison, etc. (Holub, 1992). Political society institutions coerce those who cannot be so disciplined by the diffusion of ideology.

Wider societal level coercive and consensual structures are reproduced at organisational levels as objective and informal structures, respectively. At the organisational level, capitalists (owners) or managers have objective structures with the organisation and through which they enforce constraints over subjectivities of organisational groups to ensure that their interests are served. Wider societal level consensual structures are reproduced at organisational levels as informal structures, which attempt to stimulate employees to comply with constraints enforced by managers. Such informal structures are recognised elsewhere as cultural and ideological controls or informal controls (see, for example, Alvesson and Kärreman, 2004).

Management Control Systems (MCSs) emerge from objective structures of managers on behalf of owners. These objective structures communicate the interests of the dominant group and constrain the subjective actions of employees. Accordingly, the degree of control achieved depends on how employees exercise their discretion favourably to objective structures. Hence, employees as well as trade unions can have different degrees of consent to the dominant interests of owners. From the consensual space perspective, therefore, MCSs can be analysed into their objective and subjective structures.

### 3. The Theoretical Framework

This paper uses the consensual space perspective and analyses the budgeting practice into its objective and subjective structures to understand its reality with an organisational context. A budget, as a managerial configuration of control (Storey, 1985), emerges from objective structures to constrain or regulate subjective human autonomies. A budget enforces constraints over human behaviour within an organisation by quantifying plans of organisation for a specified time horizon and controlling the movement of the organisation so that it does not deviate from the prescribed plan (Searfoss, 1976).

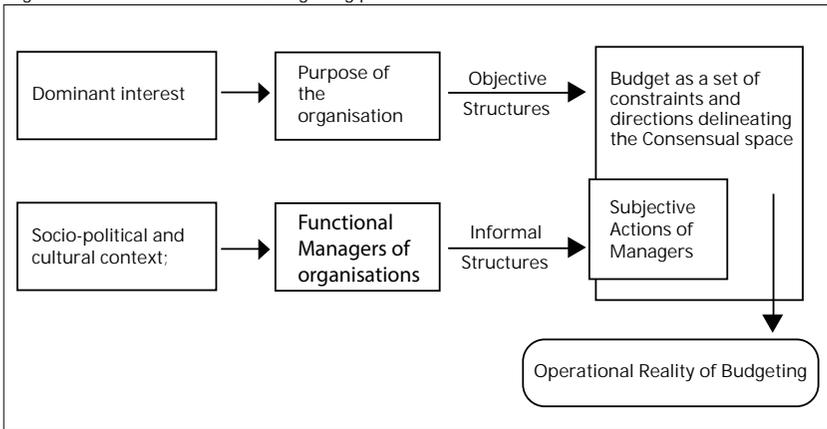
Senior managers use budgets to control functional managers and manufacture their consent by providing for integration and interactions among them (McDonald, 1939; Searfoss, 1976; Hopwood, 1976; Boland and Pondy, 1983; Czarniawska-Joerges and Jacobsson, 1989; Macintosh, 1995; Abernethy and Brownell, 1999; Abernethy and Brownell, 1999; Goddard, 2004; Briand and Bellemere, 2006). Thus, from a consensual space point of view, a budget has a constraining dimension as well as an ability of securing consent of relevant actors.

A state budget carries interests of state political leadership and enforces constraints on allocation and utilisation of resources for public services. Wildavsky (1975) defines the state budget as an "attempt to allocate financial resources through the political process to serve different human purposes" (1975:5). Thus, the state budget is a means of executing the state's political accountability and as a consequence creates intense political involvements from state political leadership (Cyert & March, 1963; Covalleski and Dirsmith, 1986). To Burchell et al. (1980) budget constraints are "mechanisms around which interests are negotiated, counterclaims are articulated, and political process explicated" (1980:17). Through, resource allocation, rulers bring their objective structures to the state. It is argued elsewhere that the state budget is apparently an objective mechanism of legitimising subjective political decisions on resource allocation (Pfeffer, 1981).

The Government budget enforces constraints over the managers of public sector organisations for the use of allocated resources for public services.

These constraints form objective structures combining interests of the rulers and organisational activities. On the other hand, informal structures connected with socio-political and cultural context influence the subjective actions of managers. The budget delineates the space of the consensual space for managers to involve their subjective actions. The extent to which the managers exercise their consent within the consensual space creates the reality of the budget within the organisation. Figure 1 shows how objective and informal structures constitute the reality of a budgeting practice.

Figure 1: Constitution of the budgeting practice



Source: The author derived

The theoretical framework given in Figure 1 explains that a budget reproduces interests of the dominant group of an organisation through objective structures. Managers influenced by socio-political and cultural conditions create subjectivities within the space created by the budget constraints. The combination of the budget constraints, its consensual space and managers' subjectivities therein create the reality of a budgeting practice.

#### 4. Research Method

This research falling within interpretivist paradigm, takes its epistemological stance as interpreting experience of actors within the context under study. With this intention, the research uses the budgeting practice of Sri Lanka Railway Department (SLRD) as an instrumental case study. SLRD is a huge organisation comprising a Head Office in Colombo and four operations sub-

departments (CME, CEM, CEW and CSTE)<sup>3</sup> in and outside Colombo. The SLRD is a state department considered to be a centre of trade unionism. Trade union actions against Colonial Rule began at SLRD in 1910 (Jayawardene, 1972). Hence, trade unions in the state sector is intermingled with political parties and attempt to interfere in managerial decisions of state sector organisations. For this reason, the SLRD is recognised as an appropriate site to study subjectivities in the management control process. The study carried out investigations at the Head Office and the CME sub-department. [U1] At the Head Office, mostly the top-level managers and the Accountants were the main respondents. At the CME sub-department, the respondents include the Chief Mechanical Engineer (CME), Deputy Mechanical Engineer (DME) and other engineers, planning officers, technical officers, foremen, workshop supervisors, and workers as respondents. Apart from SLRD, the study carried out investigations on the government budget practices using other relevant organisations. They include the Treasury, the Ministry of Transport and Sri Lanka Parliament. The interviews with shop-floor workers at the CME's Workshop employed the form of large group interview method. Each group consists of around 20-25 workers. One-to-one semi-structured interviews were held with the rest of the respondents more than 60 interviews were held. All together at SLRD Headquarters, CME Workshop, and outside institutions. In average, an interview took nearly an hour. These data was analysed using the theoretical framework suggested.

## 5. Data presentation and Analysis

### 5.1 Objective structures of the SLRD budgeting practice

Objective structures stem from the objective aspect or the economic realm of the production activity (Burawoy, 1985[U1]). Objective structures of the SLRD emerge out of the dominant interests of rulers of the state. The government operates with two types of interests: economic interest and political interest. The term 'economic interest' is used here to mean the interest of accumulating wealth. This is a colonial legacy stemming from British Colonial Rulers, who ruled Sri Lanka until 1948. The colonial rulers focused on maximizing the accumulation of wealth rather than contributing to the economic or social development of the country (Jayawardena, 2000).

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<sup>3</sup>*CME stand for Chief Mechanical Engineer and this workshop is responsible for major repairs to the rolling stock. CEM, the Chief Engineer (Motive Power), responsible for running repairs and maintenance activities. CEW, the Chief Engineer Way and Works, responsible for maintenance of the railway line and CSTE, the Chief Signal and Telecommunications Engineer, responsible for maintenance of the signal and the telecommunication systems.*

In response to the continued and worsening independence struggle on the demand for self-control, the British imperial government introduced major reforms through the Donoughmore Commission in 1931 (Silva et al., 1975). These reforms allowed the general public to elect seven ministers to the State Council through a general election to operate public services. Aspirations of masses for public services made been attached to these native rulers and especially act against the colonial rulers. This relationship with masses became an opportunity for the ministers to build up their image among the masses to seek their re-election to the State Council. Elections were held every five years. Hence, a political interest was formed between these ministers and the masses in addition to the economic interest of colonial rulers had with the native Ministers. To facilitate the allocation and control in the use of funds the colonial rulers introduced a budgeting system in 1931.

The Treasury controlled the budgeting process. Accordingly, Heads of Departments were informed through a Treasury circular in the early previous year to prepare their draft estimates and submit through the Minister (Weerawardana, 1951). The Financial Secretary had the discretion to approve or disapprove proposals for expenditure. The Treasury prepared the overall state budget draft and submitted it to the State Council which then allocated funds to state services through an 'Appropriation Bill' which it had to pass before the end of September<sup>4</sup>.

In 1948, Sri Lanka gained its independence from the British colonial rule. Poor economic conditions of the masses made political parties compete with each other. There were rallies which had to address the major issues in relation to the welfare of the masses due to the higher incidence of poverty and economic hardships prevailed at the time of the colonial rule. Under these circumstances, the colonial rule passed over a working class with a poor economic base and having high welfare expectations (Jayawardena 2001). In 1948, with the independence, the state of Sri Lanka (then Ceylon) had to continue with the budgeting and accountability systems along with other administrative systems and parliamentary traditions used by the colonial government.

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<sup>4</sup> Section 69, Order-in-Council, 1931

Thus, the budgeting and accountability systems which emerged to control the native Ministers' public service expenditure during the colonial regime became active in the postcolonial state. Today, the Finance Minister performs the Governor's financial function. The Financial Secretary's discretion on state sector budgets is still exercised by the Treasury in the same manner. These colonial legacies are well explicated in the current government budgeting system as reflected in the SLRD budgeting practice. A conflict of objective structures between the Treasury and the Minister of Transport concerning SLRD is visible. As a legacy of the colonial rule, the Treasury has an economic interest in its objective structures with the SLRD and the Minister has a political interest. For example, the Director of the Budget Department of the Treasury said in an interview that

*"See now there are 17,000 workers of the SLRD. I think 50% of them could be made redundant without having any effect on its running."*

However, the Minister of Transport is concerned about providing a cheap train service and job opportunities to masses. This is explained in a statement of a Director of the SLRD:

*"Politicians are not bothered about our problems here. What they want is to provide the train service without issues being raised among people or workers. As long as it happens, they don't want to interfere."*

For the reason that the SLRD budget is part of the government budget prepared by the Treasury, the SLRD has to follow Treasury instructions in preparing and controlling its budget. However, SLRD managers implement the public service delivery on behalf of the Minister of Transport.

In providing resources to carry out public services by SLRD, has created two conflicting objective structures in the budget. A Director of the SLRD explained it:

*"Treasury always insists on our being economic. They want to increase income and reduce expenditure. But our Minister [Minister of Transport] wants to satisfy people, passengers and workers. We are in the problem of dealing with these two contradictory needs. See now the problem of train*

*fares. Politicians do not allow us to increase train fares and complain that the quality of the service is not satisfactory enough to do that. But the Treasury people question, 'How do you maintain this service at such a lower fare?' They emphasise that train fares should be increased at a realistic rate. But they are not that important to the politician."*

However, SLRD managers cannot ignore Treasury instructions, because they are enforced by Parliament. Any deviation by public officers from them is impossible because of the Committee On Public Accounts (COPA) of the Parliament questions at the end of the year. Thus, two conflicting interests and objective structures influenced SLRD budget.

At the SLRD, the budget preparation begins with the preparation of annual budget estimates under the instructions of the Treasury. In the first quarter of each year, the SLRD receives a notification, by way of a Treasury Circular from the National Budget Department of the Treasury, calling for estimates for the forthcoming budget. The Chief Accountant of Railways (CAR) deals with this on behalf of the GMR (General Manager of Railway). The CAR sends an internal circular (hereafter CAR circular), based on the Treasury Circular, to SLRD sub-departments. In the budget, these sub-departments come as separate projects. The CAR circular provides instructions and necessary formats specified in the Treasury Circular to Heads of sub-departments to be used for preparing estimates. Sub-departments are supposed to estimate only expenditure, while the Superintendent of Commerce (COM) in the Head Office prepares revenue estimates for the whole organisation.

The estimation process of an operations department was examined to understand how operations are planned through the budget. The main operations department of the SLRD is the 'Chief Mechanical Engineer's sub-Department' (hereafter CME department) and is the SLRD's largest sub-department with 35 workshops and it carries out major repairs on the SLRD rolling stock<sup>5</sup>. It revealed that the process is similar to the Head Office and accordingly they merely estimate financial needs having no regard on operations to be carried out.

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<sup>5</sup> Rolling stock means the fleet of railway locomotives, carriages and wagons used to provide rail transport.

Senior Head Office managers criticise budget estimates for their irrelevance to operations. Currently, the only accounting system in operation in SLRD is its financial accounting system to account for the Treasury grants. The aim of the accounting system is to control expenditure and income within budget limits. Hence, no accounting systems in operation to addresses operational control.

## 5.2 Subjective Structures

The consensual space perspective explained that objective structures through their constraints create the consensual space for subjectivities in terms of exercising discretion favourably to the organisation. However, the conflicting interests between the Treasury and the Minister of Transport resulted in conflicting and weaker objective structures in constructing the consensual space. Weaker objective structures made constraints weaker and it, in turn, created a wider consensual space for subjectivities. Investigations revealed several outcomes concerning the budgeting practice in this situation.

### ***Invalid Constraints in the budget***

The budget constraints became powerless and could not enforce control. The comparison of revenue and recurrent expenditure between their actual and estimated figures for the past nineteen years shows that in general actual revenue is well under control within budget limits but expenditure frequently has exceeded the limit. As explained by the Director (mentioned before) actual revenue is controlled above budget limits by getting these limits revised. After about six months of operations, reviewing the actual revenue, managers forecast for the rest of the year. If the budget limit is higher, they take action to get it revised reducing to a manageable level. During the same period, the actual recurrent expenditure exceeds the budget. If the SLRD is unable to get the limits approved by the Cabinet of Ministers, the COPA examines it every year as a routine. The under-utilisation of the budget allocation for capital expenditure is an issue under has control of SLRD and it is being discussed at the Ministerial and Treasury level.

Revising budget constraints annually by obtaining the approval of the Cabinet to bring actual expenditure and revenue within budget limits

is a routine event occurring annually. Hence, rather than controlling subjectivities, these constraints legitimise actual expenditure, leaving the provision of the public service delivery to the discretion of the Transport Minister. This can be interpreted as a subordination of the political interest to the political interest of the Transport Minister illuminating the power of state politics within hegemony.

With the absence of constraints from objective structures, the subjective actions of organisational groups of SLRD became optional for them. Accordingly, politicians used this situation free for their undue interferences. Some employee groups continued to work for the continuity of SLRD while others were avoiding work.

### ***Unfavourable Political Interferences***

According to investigations, throughout the postcolonial history, ruling politicians have used this space in public sector organisations to ensure their sustenance in the ruling power. If any expenditure, resulting from any political action falls within the budget limit and if it is not in conflict with prevailing external regulations, ruling politicians could force managers to go ahead with such actions. In the SLRD many politicians have used such spaces to achieve their political interest in three forms.

One is to employ their political supporters using opportunities within expenditure limits. Ruling politicians could get the budget limit revised through the approval of the Cabinet where there had been instances where the intervention was likely to exceed the expenditure limit. As already explained, budget limits could be revised without affecting others because they are not integrated with operations.

Secondly, sometimes politicians use this budgeting practice to legitimise their political actions. When the Ministry of Public Administration issued a circular among state sector organisations restricting allowances payable to employees, the continuance of incentive scheme of the SLRD became problematic. Managers of the SLRD had to suggest that budgetary provisions for incentive scheme should come under a Capital Expenditure

project 'Rehabilitation of rolling stock'. Caiden and Wildavsky (1974) recognise the ambiguity in classifying expenditure in budgeting in poor countries, where sometimes expenditure seems to be in recurrent nature may be shown under capital expenditure. Thus, the incentive scheme in budgets was shifted to capital expenditure category in order to get rid of the obstacle from the Public Administration Circular.

Thirdly, ruling politicians found spaces interfering in managers' decisions within the budget constraints. Managerial decisions in the SLRD are communicated internally by way of 'GMR (General Manager of Railway) Circulars', to regulate matters related to workers' involvement in operations. In some instances, managers have withdrawn their circulars due to the interference of the Minister and trade unions.

### ***Managers' Frustration***

Subjectivities in this situation deteriorated the morale of SLRD managers. Commonly, almost everybody had begun to pass the blame to each other including politicians. Most of the SLRD managers expressed their frustration in working for the SLRD. Some others explained their intention of involving themselves minimally in SLRD affairs for their survival. Worker groups complained that difficulties are caused by the managers' lack of involvement. An engineer expressed his frustration, caused by political dominance and its implications in creating unfavourable attitudes in workers. A top-level engineer of the CME department explained that managers have no powers to maintain discipline anymore within the SLRD and therefore they had to seek their own safety. Most top-level managers attributed these worsening conditions to the loss of managerial powers within the SLRD for the past 45 years. They blamed trade unions and politics. However, most workers passed the blame to the trade unions for not doing anything for the continuity of the SLRD but for limiting their role to continuing with their politics with the Minister. Some lower-level managers blamed engineers for their lack of involvement in the SLRD problem. Shop-floor level workers pass the blame to some engineers for not attending to workshop matters. Engineers, for their inability to maintain discipline, pass the blame to some workers and trade unions. In consequence, some SLRD managers tend to keep away from their usual managerial controls because they do not feel that they are free to make decisions.

### ***Voluntary involvements***

When the budget failed to control operations of employees, some of them, who were interested in making the continuity of SLRD, started to be voluntary to carry out public service operations of SLRD.

Investigations revealed that mainly because of the consent of some managers and workers, the SLRD currently continues in its public service delivery. Since, the existing budgeting and accountability systems are detached from public service operations, the Minister of Transport and SLRD managers have together formed an alternative set of budgeting and accountability to establish their constraints.

The new Minister who took office in 2005 is different from his predecessors. A Head Office Director explained the new Minister's attitude, quoting the issue of recruitment, which was one of the main purposes for which the consensual space of the budget was exploited by previous politicians:

*"He says that he doesn't want to be involved in employing people in the department and says, 'I do not interfere in recruitment. You are qualified officers. You adopt the appropriate procedures and select people most suitable to you'"*

Hence, compared to the past, by 2015, the SLRD enjoyed better political freedom. Thus, those managers and workers who had the interest to see the continuity of the SLRD exercised their discretion within the consensual space. However, SLRD managers have no dominant power within the SLRD because regaining their powers require a cultural change, which is not easy. Hence, trade unions are still powerful and some workers having political links are still playing a part in the operations.

### ***Spaces for consensual actions***

Workshop engineers and foremen are not worried about workers who do not work. They use the services of those who are willing to work and secure the SLRD's existence. A workshop engineer expressed his experience:

*"Today the Railway operates because of a very few people who want to run this. It is about 20%. Otherwise, the Railway might have already collapsed!"*

Those few, who have the consent to serve the political interest of the SLRD, carry out its services and they are not deferred by constraints. Under this situation, their discretion seems to play the main role in public service delivery. Many instances were found in the workshop where foremen, supervisors and workers complete the tasks in their own way. Sometimes when the necessary parts are not available, they find used parts from the scrap yard and improve them to a usable condition so that the job can be completed. This indicates that when social groups have the consent, they ignore obstacles and find their own ways of completing the task.

Thus, at present, the mutual agreement among workshop leaders schedule works. Hence, rather than scheduling systems to control labour involvements, the workers maintain the scheduling system. In reality, when a job arrives, the workshop engineer, foreman and supervisors discuss necessary tasks to be performed and with the support of the workers they complete the task. Hence, currently, SLRD operates its public services because of the consent of some managers and workers. Budgeting and accountability systems have become irrelevant.

### ***Emergence of alternative control arrangements***

Control systems provide constraints as well as directions (Knights, 1990). Existing budgeting and accountability systems enforce expenditure limits but provide no directions on operations. Hence, proving that management accounting systems are socially constructed (Neimark and Tinker, 1986), the harmony between the Minister and managers resulted in the emergence of an action plan to control and direct the operations and a progress review meeting to check the political accountability.

The action plan of SLRD shows the managers' quarterly plan of carrying out categories of operations to ensure public service delivery during the forthcoming period. This distributes the funds allocated in the formal budget among major tasks expected to be carried out during the year. Hence, it combines the formal budget with operations. The action plan is an internal arrangement between the Minister and the SLRD managers stemming from the formerly prepared action plan to be submitted to the Treasury. Thus, it has no statutory enforcements. In consequence,

managerial discretion is dominant in its preparation.

The workshop engineers have no idea of such an action plan. They finish work with the willing supervisors and workers as a group, as explained in the previous section. The action plan preparation represents merely a set of isolated projections based on the actual operations carried out at the workshop. However, nominal targets in the action plan provide a reasonable view of workshop operations useful for top-level managerial discussions. SLRD operates by reviewing the achievement of these targets. For this purpose, a series of progress review meetings are held. They check how far the political interest of public service delivery has been achieved. There are two types of progress review meetings. One is between the Minister and SLRD officers and the other is among managers of the SLRD headed by the GMR. However, both reviews focus on providing public service delivery.

#### 6. Discussion and Conclusion

A common finding of the most accounting research in the LDC context is that the management control systems in this context become dysfunctional due to the tension between macro socio-political conditions and organisational accounting practices. Previous studies have attempted to identify such conditions and their implications on accounting and management control systems. However, no study has identified why such accounting and control systems become vulnerable to unfavourable environment conditions. Hence, the intention of this research was to shed lights on inside elements of management control systems to see the formation of management control practices reacting to their environmental conditions. Accordingly, the research addressed the question of how elements of a management control system respond to influences of macro socio-political conditions. The labour process debate illuminates how subjectivities of employees respond to objective controls of capital. To articulate how these objective and subjective structures used by this study the theoretical perspective of 'consensual space' derived benefitting from the theory of hegemony, as the analytical tool. The consensual space explains how objective and subjective structures form management control practices.

Most management control literature in the LDC context pay attention on

budgeting practice. This research aimed at understanding how objective and subjective structures encroach into the budgeting practice and how the budget reacts to them. From consensual space perspective, any MCS produces its reality of control based on the influences from objective and subjective structures. Hence, objective and subjective structures of the SLRD budgeting system were investigated.

A careful analysis of the labour process debate began in 1974 suggests that a budget emerges out of objective structures, which reflects the broader relationship between the dominant group's interest in operations of the organisation. The objective structures of the budget enforce constraints, and which form the consensual space, wherein, subjectivities of organisational groups take place. The informal structure between the dominant group and other groups of the organisation give rise to subjectivities. Objective structures constraint the degree of subjectivities depending on the strength of the former.

The SLRD budget has been evolving historically from the colonial regime. Due to the nature of the independence granted, the colonial systems encroached into the postcolonial state giving rise to colonial legacies underlying the state budgeting system. This resulted in the formation of objective structures bringing economic interest of colonial rulers into the postcolonial state budget ignoring the postcolonial rulers' political interest. This misrepresentation has caused a conflict between interests embedded in objective structures, i.e. the Treasury's economic interest and the Minister of Transport's political interest. However, because the rulers' hierarchical dominance in state management system and their opportunity to obtain the support of the trade unions, the political interest prevails over economic interest in the operations. Nevertheless, 'officially' the economic interest of the Treasury is embedded in the budget as a colonial legacy and implementation of the budget is a statutory arrangement controlled by the parliament. The conflict between the Treasury and the Minister of Transport in their interests on SLRD operations weakened the objective structures of the SLRD budget expanding its consensual space allowing an extensive degree of subjectivities.

Reproducing colonial intentions, the budget enforces constraints on the

maximum limit on public service expenditure having no reference to public service operations. With no corresponding operational outcomes, the constraints enforced by the expenditure limits become less verifiable and in consequence less enforceable. When the constraints become blurred, the resulting consensual space become much wider, allowing for a wider opportunity for subjectivities to take place. The Ministers in governments from 1977 up to today have excessively interfered to exploit this space for their personal political advantages.

This finding reveals that when the objective structures are in conflict, the budget constraints become blurred and unenforceable. The weaker constraints results in more opportunities for subjectivities. Thus, when a budget loses its potential of constraining subjectivities, the control depends on consent of the controlee. The SLRD budgeting practice illustrates this theoretical explanation. It shows implications of a wider consensual space. Some implications are unfavourable from controlling perspective: increased undue political interferences and frustration among managers. The SLRD budgeting practice also shows how voluntary action by those who have the consent to the continuity of the organisation bring SLRD operations under control. For example, at SLRD, engineers, foremen, supervisors and workers who have a loyalty to the SLRD have worked together voluntarily to ensure the SLRD functions smoothly running while the majority of workers performing minimally with the blessings of trade unions backed by the ruling political leadership. [U2] This illuminates that the consensual space used for voluntary consensual action triggers better control over the operations. However, unfavourable behaviours, such as political interferences by ruling politicians, taking place within the consensual space render the MCS having less potential for control. This reveals that the practice of a MCS depends on how subjectivities occur within the consensual space.

This research found that objective and informal structures form always the reality of a budget practice. Objective structures of a budget reproduce interests of owners or rulers. Informal structures reproduce socio-political and cultural underpinnings of managers and workers involved. This research revealed that even when objective structures are inactive, subjectivities of employees have the potential to bring voluntary control

when the consensual space is well managed through informal structures. Informal structures are discussed elsewhere as informal controls. The notion of 'empowerment' discussed in the contemporary management practices is a way of using the consensual space. Concerning the second objective, this research finds that a budget needs to have clear and stronger objective structures and productive subjectivities through informal controls to maintain its controlling potential. The strength of the objective structures determines the extent of the consensual space available for informal controls.

This research contributes to management control literature with a perspective to explain management control practices in organisations. The findings illuminate that to understand a management control practice, its objective and subjective structures need to be analysed. The stronger the constraints enforced by objective structures, the lower the consensual space available limiting the opportunity for informal controls. Thus, the degree of constraints enforced by objective structures and informal controls adopted to induce people within the consensual space are complementary. Consensual action of employees can exceed the expectations of objective structures. The SLRD experiences suggest that the voluntary action of employees has the potential to help an organisation recover from a crisis. Hence, the findings of this research suggest to that rather than depending on stronger objective structures more attention on informal controls is needed.

This research addressed a state sector situation, where macro political interferences at macro level were strong and colonial legacies have rendered the objective structures weaker. However, in most private sector situations, the influence of those macro conditions is minimal, and the organizational management has the freedom. In such situations, managers can regulate the degree of objective structure and the resulting consensual space. However, modern management philosophies, fareis Total Quality Management, require greater consensual space empowering people. Hence, a balance between objective structures and informal controls is vital and therefore further research is necessary to study experiences of different levels of objective structures and informal controls from the consensual space perspective. This research limited its focus on to budgeting as a MC

system. Further research is needed to use consensual space perspective to understand how other MCSs such as Balanced Scorecard operate in organisational contexts. On the other hand, this research illuminates the importance of informal controls and internal conditions in forming better control of an organisation. Particularly, in a crisis situation affected by COVID-19 Pandemic, the support of the employees is essential for better control of an organisation. Further research using consensual space perspective is needed to investigate how different forms of informal controls can help achieving better organisational control.

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