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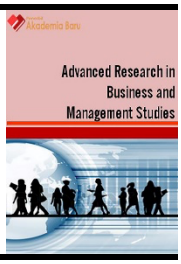

Institutional Pressures and Accounting Control Practices of Small and Medium Manufacturing Enterprises (SMMEs) in Lagos State

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ABSTRACT

The extent to which institutional pressures inform SMMEs' choice of accounting controls system seems unclear as considerable evidence in this line of thinking are only available for large firms and public sectors organizations. In view of the foregoing, the study investigated the extent to which institutional pressures (Regulatory, Association and provider of capital pressures) influence Small and Medium Manufacturing Enterprises (SMMEs) choice of accounting control mechanisms (diagnostic budget, interactive budget and comprehensive reward system). The study obtained quantitative data through self-administered questionnaire from randomly selected 262 managers of small and Medium Manufacturing Enterprises in Lagos State. The obtained data were subjected to multiple regression analysis (Ordinary Least Squares). The findings of the study revealed that institutional contingency (association and regulatory) influence the choice of accounting control mechanisms. Specifically, variation in diagnostic budget practice is explained by regulatory pressure),Choice of interactive budget practice is also informed to a greater extent by both regulatory pressure and association pressure, while the choice of comprehensive reward system is driven by both regulatory and association pressure. Based on these findings, the study concludes that managers of Small and Medium Manufacturing Enterprises may use accounting control techniques as driven by association pressures and regulatory pressures not necessarily by the need to achieve goal congruence. Consequently, organizations may unnecessarily incur avoidable cost on the use of accounting control for other purposes that are not goal –congruence. Therefore, SMMEs owners/managers are advised to resist any institutional pressure in the choice of accounting control techniques. Instead, efforts should made towards achieving fit between chosen accounting control technique and the control problems such technique can effectively resolved.

Keywords: Diagnostic Budget, Interactive budget, Institutional pressures/isomorphism, Reward System

1. Introduction

Performance problems of any organization can be largely attributed to the inability of management to influence positively the behaviour of employee in the pursuit of organization objectives. Thus, conscious use of accounting control system to monitor progress performance of subordinate and provide consistent direction are very essential as these would effectively address motivation and directional problems inherent organization activities [52]. Choices of accounting control system have been described to be largely influenced by various contextual factors: environment, technology, tasks uncertainty, organization structure, size, and rationality [18]. Numerous empirical evidences have also been reported in this direction [3, 6, 27, 32, 34]. However, the rationality perspectives on the choice of organization and accounting practice have been subjected to criticism that organization choice of practices are informed beyond rationality to include

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institutional factors rather than cost minimizing factors [24]. Conscious of the foregoing argument, Burns and Scapens [15] asserted that that management accounting and control practices can be influenced by institutions which govern organizational activity.

Organization's undue responses to the pressures from institutional environment may create problem of misfit between accounting control system and relevant contingent factors leading to employees behavioral dysfunctional. The extent to which these pressures inform SMMEs' choice of accounting controls system seems unclear as considerable evidence in this line of thinking are only available for large firms and public sectors organisations [5, 21, 27, 40, 41, 42].

Design of appropriate accounting control system is very essential to the performance of both large and small and medium enterprises (SMEs), but the delicate nature of SMEs in withstanding shock arises from control problems calls for more concerns. This is even pronounced in a competitive environment such as Lagos state, Nigeria. Survival of SMEs in this kind of environment demands conscious management practices like accounting control system.For SMEs to sustain its relevance as major driver of any economy, a systematic inquiry on how it fair in the use of management controls may not be out of place. It is against this background, this study investigated the relationship between institutional pressures and accounting control system. Specifically, we measure the extent to which association pressure, regulatory pressure and provider of capital pressure explain variation in the usage level of accounting control system by SMEs in Lagos, Nigeria.

Much of research efforts on management and accounting control systems have been devoted to large business organizations e.g. Merchant [50]; Chong and Chong [19]; Moores and Sharman [53]; Durden [25]; Kleine and Wiesenberger [43]; Verbeeten and Speckle [65]; and Diefenbach Wald and Gleich [23], as only few research evidences on management controls practices of SMEs focus on accounting control system and performance [22, 44]. None of these previous empirical works was even carried out in Nigeria, particularly Lagos, the research site of this study. Much of the research efforts in Lagos are substantially on budget practices and performance [11, 57].

Better understanding of management and control practices will provide the business community especially, managers and owners of SMEs with knowledge on how to choose appropriate management and accounting control system. In effect, the agency cost of controls may become minimal and by extension, performance may be improved. Recently, Ahmed and Mohammed [4] in their conceptual analysis of management and accounting control practices among Nigerian firms, argued that much of the accounting control choice and practice are informed by the three isomorphism(coercive, Mimetic and normative) which have consequently lead to weak performance. They therefore call for empirical research to confirm the argument. This study is also put forward to address this research gap in Nigeria.

2. Literature Review

2.1 Conceptual Discourse

2.1.1 Management and Accounting Control System

MACS has been described or defined in the literature from different perspectives. Merchant and Van der Stede [52] described management and accounting controls as necessary instrument to guide against the possibilities that people will do something the organization does not want them to do or fail to do something they should do. Similarly, Abernethy and Chua [2] defined control system "as array of control mechanisms designed and deployed by management to increase the probability that organization participants will behave in ways that align with objectives of the dominant organization coalition." Malmi and Brown [48] affirmed that those systems, rules, practices, values and other activities management put in place in order to direct employee behavior should be called

management controls. Recently, Bedford and Malmi [13] described MACS as a set of processes and mechanisms employed by managers to influence the behaviours of individuals and groups towards more or less predetermined objectives.

There are varieties of techniques used to pursue control functions [13].These mechanisms include but not limited to organization structure, amount of work autonomy and decentralization, standard operating procedures, rule and regulation, performance target (financial and non-financial), emergent target, benchmark, code of conduct, Fixed reward, variable reward, bonus and career perspective in term of promotion. Venkatraman [66] asserts that the extensive numbers of control mechanisms create a distinct difficulty for empirical investigation in the field of control configuration. in response to this, Bedford *et al.*, [14] suggested the specification of theoretical categories of control a-priori, with the choice of constructs describing broad coverage of those categories. This is commonly described in management and accounting controls research as control frameworks and they are being used to explain Management and accounting Control System in practice. Efforts of academics towards the development of control frameworks for empirical research began in 1950s and 1960s. For instance, the efforts Burns and Stalkers [16] led to the mechanistic and organic frameworks. Since then, management controls as a field of academic research have attracted considerable interests leading to varieties of frameworks, after the publication of Anthony's seminal works [9]. Prominents among these frameworks that have been used empirically include Ouchi's Framework [59] for the Analysis of Organizational Control {Market (output),Bureaucracies (behaviour) and Clan (social relationship)};.Simon's Levers of Controls Framework [60] . He divided Management control systems into four levers. These are: belief systems, boundary systems, diagnostic control systems and interactive control systems; Otley's Controls Framework for Modern Management [58]. The Controls framework was also proposed around five main set of issues of modern management and management accounting practices; Merchant and Van der Stedes' [52] object of Controls Framework. This was labeled as object-of- of control. Within the framework, controls are typified as: results, actions, personnel and cultural controls.

Although, there are other stream of control frameworks such as Langfield-smith [46] and Fisher [30] delineated the core dimensions of control to draw upon, comprehensive review of these frameworks by Malmi and Brown [48] provided a more broad conceptualization of management and accounting controls system. The authors came up with a framework referred to as Management Controls System Package which center on five structures: planning controls, cybernetic controls, reward and compensation controls, administrative controls and cultural controls. We used this framework to conceptualize management control practices of Small and Medium Manufacturing Enterprises. For the purpose of this study, the first three control mechanisms (planning controls, cybernetic controls, reward and compensation controls) in the framework were used to describe the construct: Accounting Control System. Accounting controls system consist of the following element briefly discussed as follows;

Planning Controls as a component of accounting control system, has to do with the goal setting of the organization functional units. It specifies standard to be attained in relation to the set goals and also bring clearly the expected efforts and behavior of organization members. Bedford and Malmi [13] argued that goal-congruence is attained when planning is openly used to predetermine activities behavior necessary to actualize desire objective. They also affirm the coordinating role of planning to entail articulating and communicating goals and schedules to organization members involved in particular activities across an organization.

Cybernetic Controls is an information system or control system depending on how it is used in a business setting. Its usage as a control device requires all the concerned to be involved at all stages of initiation and implementation. The potency to connect behaviour to target and ensure that

individual is accountable for variation in performance make cybernetic system an element of MCS. They identify budgets, financial measures, non-financial measures and hybrids (e.g. balanced scorecard) as four basic cybernetic systems.

Reward/Compensation control is used to motivate and enhance individual and group performance. It can be of extrinsic and intrinsic form. Organization provides reward to retain employee and encourage cultural control through group reward. Flamholtz, Das and Tsui [31] acknowledged that compensation is both ex-ante and ex-post control device. Bedford *et al.,* [14] are of the opinion that ex-ante compensation encourages goal congruent behavior through the belief to receive reward for task performance while ex-post compensation function as control mechanism by rewarding results and serving as sub-set of the feedback process through the provision of information on the effects of past behavior.

Given the conceptual domain described above, accounting control system was sub-divided into sub-variables as : diagnostic budget control, interactive budget control and reward control .This sub-classification is in line with Bedford and Malmi [13].

2.1.2 Institutional Pressures

The assumption behind most New Institutional Sociology (NIS) studies is that intra organization structure and procedure including accounting and control practices are largely shaped by external factors called institutions. In other word, choice of organization structure and practice are mostly informed by these institutions rather than cost minimization objective. Scott [60] defined institution as "consisting of cognitive, normative and regulative structures and activities that provide stability and meaning to social behaviors". He maintains that "institutions are transported by various factors such as culture, structure and routine and they operate at multiple level of jurisdiction"

DiMaggio and Powell [24] argued that institution emanates from the activities of human and does affect human activities. They however submit that institutions do not come from deliberate human design. DiMaggio *et al*. [24] asserted that isomorphism is a term used to describe the alignment between organization arrangement (management and accounting control systems inclusive) and institution which explain through a process by which external institution permeates internal structure and procedure. Although two forms of isomorphism are generally discussed in the literature- competitive isomorphism and institutional isomorphism. NIS stresses on the latter which is further classified into sub-categories : (1) coercive isomorphism described the situation where institutional factors or pressure such as government policies, regulation, and supply relationship exert force on the organization to adopt specific internal structure and procedure. (2) Mimetic isomorphism conceptualizes situations whereby organization emulates internal structure and procedures adopted by other organizations. (3) Normative isomorphism gave insight to the situation whereby organization adopted the structure and procedure advocated by particular dominant profession, profession bodies and consultant.

Given the foregoing insight on the concept of institution, this study operationalized and defined institutional pressure from the perspective of regulatory pressure (coercive isomorphism), capital provider pressure (coercive isomorphism) Association pressure (normative and mimetic isomorphism).

2.2 Theoretical Framework

The below hypotheses are also informed by theory of new institutional sociology (NIS).NIS theory provides a rich and complex view of the isomorphic behaviour of organisations and suggests

that organizations can be influenced by varied institutional pressures arising from their external environment. Specifically, the theory assumes that this institutional isomorphism is informed by three environmental forces to which organizations reacts –, i.e. coercive, mimetic or normative forces [24]. Coercive forces are external pressures on organizations to adopt structures, techniques or practices similar to those of other organizations. Normative isomorphism relate with environmental force most often associated with the professions. It represents the influence of "normal" standards of professionalism, and the adoption of up to date, effective techniques by a professional community. Mimetic isomorphism is often a reactive tendency to uncertainty [24]. Scott [60] explained that when an organization faces uncertainty, it may tend to model itself after other organizations it considers to be successful.

This argument affirms the causal relationship between independent variables (association pressures and regulatory pressures) and accounting control practices(diagnostic budgetary control, interactive budgetary control and comprehensive reward system).The theory's prediction is that the quantum of pressures perceived by organisation, to certain degree, may influence the extent to which firms adopt accounting control practices not necessarily on profit motive.

2.3 Empirical Review and Hypothesis Development

Studies on MACS practices have been carried out through the lens of institutional theory. Messner (2015) affirms that institutional–based MASC studies relate to how "set of belief and norms that prevail in particular institutional field to which the organization belongs" influence or affects the MCS choice and practice. Dambrin, Lambert and Sponem [21] examined how intuitional logic/pressure diffuses through management accounting system of firm. Interview responses obtained from a case of Pharmaceutical Company in France reveal that consumer goods practices were considerably instutionalized. Specifically, consumer goods industry management culture as an element of control is the most widely accepted, while the diffusion of the ideal of the consumer goods industry in the area of behavioral control appear difficult but the new ideal relating to accountability principles seems to be already widely developed. Similar empirical evidence was obtained among banking and financial institution in Australia by Munir and Baird [54]. The study revealed corporate change,economic and financial regulation, socio-economic political pressures and banking regulation were higly associated with the use of multi-dimensional performance measures. Nukpezah and Abutabenje [55] also used mimetic isomorphism lens to discover how Mississippi's counties in local government inmmitate one another. The study emphasis the need to discourage imitation in the choice accounting control practice to prevent stifles of innovation and other unwanted behavioural implication.

Chiang and Northcott [17] have empirically revealed how coercive force of negative media publicity reinforce audit's profession normative obligation to drive improvement in audit practice of environmental reporting. Although the study of Hyvonen, Jarvinen, Pellien and Rahko [38] focused on public sector, It also demonstrates the influence of institutional pressure on management accounting and control practice. In a more specific term, the study examines how Finnish Defence force reacts to pressure from State Audit Service to change their management accounting system. The study reported minimum influence of Enterprise Resource Planning on Management Accounting practices. The only change observed in first case study is the introduction of fixed asset register for external purpose, while in the second case study, a system of reporting hour worked is introduced and integrated to the existing management accounting system.

In another dimension, a cross-country study by Jazayeri, Wickramsinghe and Gooneratne [40] revealed variation in Management Accounting and Control Practices as a result of institutional

pressure in two manufacturing companies in UK and Sri Lanka. Evidences obtained from in-depth interview and documentary evidence show that the adoption of Business Value Scorecard (BVS) was influenced by an internal cultural change programme in the UK manufacturing company, while in Sri Lankan Manufacturing Company, external knowledge diffusion programme gave rise to the use of balanced Scorecard. However, it was reported that the externally imposed BSC adoption lead to internal controversies and consequently workforce became resistive.

Similarly, Kantola and Jarvinen [41] investigated how organization (public hospital) attempts to address the pressure imported by the field of health care. They specifically examined how Finish Hospital adopted the newly-introduced Diagnostic-Related Group-based accounting system. Evidences of the interviewed-based study and complemented with archival data revealed that the later adopter of the new system abandoned their old system owing to efficiency consideration.in other word, the new system enhance monitoring of hospital by their financier.

Damayanthi, Gamage and Gooneratne [20] also revealed from interpretivist perspective how management controls are being used in a tension between external institutional force and the internal dynamics. Responses of the personnel from finance and non-finance divisions of the apparel company indicated that external pressure seems to influence the choice of MACS practice. Consequently; organization actors change their existing Key Performance Indicator (KPI) in reference to customer specification. In addition, the pressure from customer also has influence on the choice of organization structure and procedures. The study also reflect how the company adopt a strategy to repel the pressure from expert myths and exert power in line with their interest in determine a particular system and procedure within the organization. Van veen-Dirks and Lillis [64] provided evidence on how economic motive of adoption positively affect the development of Balanced Scorecard (BSC) use, while legitimate motive negatively influence the use of BSC. The study specifically, revealed how legitimate motive manifest through mimetic isomorphism has negative use on BSC use but positive effect on use when it comes via the normative isomorphism. The study of Lasyoud, Haslam and Roslender [47] can be said to corroborate Dirks et al*.,* for the fact that political pressures,government law and regulation, management committee's influence, leading organisation pressures,customer satisfaction and professional association pressures were empirically confirmed to shape the operation of management accounting and control system among Libya Public Manufacturing Companies.

Other empirical evidence on the influence of institutional pressures on Management control practices can be sighted in the literature. Within public sector, Kasumba [42] conducted a qualitative study on the extent to which institutional pressure can be deployed to reinforce each other in creating and sustaining new budgetary practices among local government in Uganda. The study used interview to elicit responses from the officers of local government, central government, aid agencies(such as World Bank).Based on these responses, it was concluded that institutional pressures were intertwined with intention of creating and sustaining the new ways of transporting changes in organization practices across jurisdictions. The study specifically shows that coercive pressure was supplemented by normative pressure in creating both demand and supply changes in organization practices in local government. In addition, National Government deployed mimetic mechanism as strategies to influence the action and decision of supranational agencies which had vital financial and technical resources need for local government development. This in effect led to coercive pressure.

Ahrens and Khalifa [5] examined the impact of regulation on Management controls. They show how universities respond to the institutional logic of new management controls. Through participant observation of three Universities, note on accreditation behaviours was documented with evidences that compliance with accreditation take considerable time and effort in translating accreditation requirement into appropriate organization strategies. Overall, the study concluded that

compliance to institutional pressure is informed by both legitimation and performance. Ajibolade [6] has also affirmed that institutional pressures lower explanatory power to the choice and design of management accounting system In Nigeria. Anya [10] also confirms the influence of institutional pressures on the design and use of MCS in post-merger organizations. The in-depth interview with other archival evidences revealed how CBN directives, competition, technological advancement, social and societal factors contributed to the institutionalization of controls as rules and routines in a post-merger Nigerian banks. In line with this trend, Ahmed and Mohammed [4] in their conceptual analysis of Management Controls practice among Nigerian firm argue that many aspects of MCS are commonly adopted as consequences of the pressure from the business environment and thus lead to weak management control practices that are not in tandem with the firm strategic focus.

Based on the evidences in the literature, we developed null hypotheses that**:**

$\boldsymbol{H_1}$**:** association pressure (mimetic and normative), regulatory pressures and provider of capital pressures(coercive) have no significant influence on diagnostic budgetary control

$\boldsymbol{H_2}$**:** association pressure (mimetic and normative), regulatory pressure and provider of capital pressure (coercive)have no significant influence on interactive budgetary control

$\boldsymbol{H_3}$**:** association pressure (mimetic and normative), regulatory pressure and provider of capital pressure(coercive) have no significant influence on comprehensive reward control

3. Methods

3.1 Research Design

The nature of the research objective reflects the intent of this study which is mainly to establish and measure the variation in management accounting and control system practice of Small and Medium Manufacturing Enterprises (SMMEs) as explain by institutional pressures. This study obtained data on the variables of interest through cross-sectional approach/design. Managers that have spent minimum of five years in the organization are selected as key informants for the study with the believe that they must have been witnessing much of the organization activities.

Since this study attempted to provides evidences on the effect of institutional pressures on the management control practices of Manufacturing SMEs in Lagos State,all manufacturing SMEs operating in this state are ideal research objects or population. Lagos State was chosen as the study area because it is a beehive of industrial activities with considerable number of manufacturing SMEs. However, manufacturing SMEs with number of employees between 50-200 and operating with Managing Director/General Manager, Managers responsible for Accounting, human resources and operation/Production constituted the study sampling frame. These companies are expected to be using various management control techniques given their sizes in term of number of employees and nature of their operations. The list of manufacturing SMEs operating in the state was extracted from the Manufacturer Association of Nigeria (MAN) membership list while detailed information about the location of these companies was obtained from the information provided by Lagos Inland Revenue Service (LIRS). However, the LIRS required us to maintain confidentiality of the information after usage. To arrive at the actual list of sampling frame, a preliminary 4-question survey on number of employees, years of operation, number of functional managers and asset base was sent to the primary population of 600 manufacturing SMEs in Lagos State and its environs. Analysis of the returned survey using the two criteria mentioned earlier resulted to sampling frame of 450 Manufacturing SMEs. However data on the management control practices for the companies is needed through the key informants- four management staff (Managing Director/General Manager, Account Manager, Human Resources Manager and Production/operation Manager) mentioned earlier, the final population of the study was 1800(4*450) managers.

The final sample size used was arrived at through two-stage process. The first stage computed the sample size from the sampling frame of 450 manufacturing SMEs and this was done using Taro Yamani Formulae. The two hundreds and twelve (212) manufacturing SMEs was selected using systematic random sampling to achieve high representation of the elements in the sampling frame and of course high degree of external validity. In the second stage, the four managers of the each randomly selected company were used, translating to eight hundred and forty eight managers (848) secondary and final sampling unit for this study.

3.2 Research Instrument

The study employed questionnaire to collect data. In other to minimize the inherent problems of respondents' bias, the study took the following strategies:: a good covering letter explaining the reason behind the survey, adequate follow-up, and review of the questionnaire from Nigerian viewpoint and clear instruction and attractive layout. In addition ,the instrument was subjected to test of validity and reliability.

3.3 Measurement of Variables

The variables of interest in this study were measures both through previously validated instrument and specification of an appropriate domain of observables underlying the constructs. For the independent variables, the study adopted substantial numbers of validated measurement questions developed by Soobaroyen [61] for the three independent variables: regulatory pressures, provider of capital pressures and association pressures, while for the dependent variables, Malmi and Brown [48] validated instrument was adopted. Specifically, Diagnostic budget practice was measured through five measurement questions. Similarly, interactive budget practice and reward control were measured with five and three measurements question respectively. Responses to the survey questions are averaged to arrive at the final score for each variable. Descriptive statistics for all the survey items are reported in table 3.1 provided in presented in appendix one.

3.4 Validity and Reliability Test of the Instrument

To ensure that the research instrument substantially and adequately reflect the meaning of the construct used in this study, the following forms of validity: content validity and construct validity were measured using expert evaluation, correlation analysis and factor analysis respectively. For expert evaluation, the study used expert from among academics and the practitioners with experience in management control systems. In order to obtain stable and similar results under consistent condition, perspective of reliability in term of stability and internal consistency was measured using test–retest approach and Cronbach's alpha respectively. Crobach's alpha coefficients for all constructs were above the threshold of 0.70.

For construct validity, Principal Components Analysis (CPA) was used to extract loadings for the variables under consideration. The results of the factor analyses as presented in table 3.2 provided in appendix two reveal that all the variables are uni-dimensional with explained variances of 56.84% for regulatory pressures,56.96% for association pressure explaining, 63.73% for provider of capital pressure,59.39% for diagnostic budget,62.96% for interactive budget and61.23% for reward control. All the factors extracted were with eigenvalue above 1. More importantly, only loadings above three that are used in the final measurement of the constructs (dependent and independent constructs) are presented in the table 3.2

Despite the fact that the constructs are theoretically distinct and measured differently, there is still possibility that the variables are correlated with one another. In as much that this study models the variables as distinct construct, the study conducted correlation analysis on all independent variables to discover any threat of multicollinearity. Table 3.3 reported the bi-variate correlation coefficients as presented in appendix three. The correlation matrix provides evidences of no threat of multi-collinearity, as none of the coefficient exceeded 0.80 [33].

3.5 Models Specification

To assess the relationship posited in this study's hypotheses, King *et al.,* [44] model on contingency factors influencing budgeting practices, was adapted. Accordingly, the model appeals to contingency-based research to identify factors argued to drive decisions to engage in budgeting practices. This argument is similar to this study's theoretical framework relating to contingency theory. However, the prediction of institutional theory was integrated into this model to capture the argument that design and use of MCS may also be influenced by institutional pressures.
The basic model is stated as follows:

$$BUDG = \beta_O + \beta_1\ InSIZE_i + \beta_2\ STRUC_i + \beta_3\ STRAT_i + \beta_4\ PEU_i + \dots\ e_i \quad (1)$$

*Where:*BUDG= Budgeting practices of the firm,Insize= Size of the firm,STRUC= organization Structure,STRAT=strategy,PEU=Manager's level of Perceived Environmental Uncertainty,

The model was adapted as follows:

$$ACCS = \beta_O + \beta_1\ REGP_i + \beta_2\ ASSOCP_i + \beta_3\ PCP_i + \dots\ e_i \quad (2)$$

Where:

ACCS= interactive budget practice,diagnostic budget practices and comprehensive reward system

REGP=Regulatory pressures experienced by the firms

ASSOCP=Association Pressures perceived by firm

PCP=Provider of capital pressures on the firm

β_O =constant

$\beta_1, \beta_2, \beta_3$ =regression coefficients/intercept

e_i =error terms

The a-priori expectation of the model is a positive relationship between ACCS, dependent variable and independent variables. i.e. $\beta_1, \beta_2, and \beta_3 > 0$

4. Results and Discussion of findings

We employed multiple regression analysis to observed empirical relationship between the dependent and independent variables as depicted in the specified model via Statistical Package for Social Sciences with default ordinary least squares estimation techniques. The results of the regression analysis is reported in table 4.1 given in appendix four

.In relation to Null hypothesis one:H_1*: association pressure(,mimetic and normative), regulatory pressures and provider of capital pressures(coercive) have no significant influence on diagnostic budgetary control*,only association pressure exhibits a significant positive association with diagnostic budget control(t-value=3.89,P-value<0.01).Although, there seem to be positive association between regulatory pressure and diagnostic budget control, the relationship was not significant (t-value =0.832,P-value>0.05). In the case of provider of capital, the estimated coefficient

is negative and not statistically significant (t-value=-0.464,P-value>0.05).This indicates that variation in the use of diagnostic budget control by SMMEs was not explained by regulatory pressures and providers of capital pressures, while association pressures seem to explain the variation in diagnostic budget control practice of SMMEs. Overall, only explain 41% of the variation in the use diagnostic budget control were successfully predicted by the three explanatory variables (provider of capital pressures, association pressures and Regulatory pressures) as indicated by the adjusted R-square in parentheses.

For Null hypothesis two, H_2:*association pressure (,mimetic and normative), regulatory pressure and provider of capital pressure (coercive)have no significant influence on interactive budgetary control*, the regression results for model 2,indicate that association and regulatory pressures have positive influences interactive budget control practice, since the estimated coefficients between regulatory and association pressures are positive and statistically significant (t-value=2.941 P-value< 0.01) and (t-value=3.850, P-value< 0.01) respectively while for the provider of capital, the result was not statically significant(t-value= 1.266, P –value >0.005). In contrast to the evidence observed in diagnostic budget control practice, the influences or pressures on SMEs' use of interactive budget control practice seem to be broader in scope given the regression coefficient. However, the regression model summary revealed that only 45% variation in interactive budget practices were explained by the three independent variables.

Finally, regression result for hypothesis three, H_3: *association pressure(,mimetic and normative), regulatory pressure and provider of capital pressure(coercive) have no significant influence on comprehensive reward control,* revealed evidences of positive relationships between comprehensive reward control system and regulatory pressure and association pressure, since their estimated coefficients are statistically significant (t-value=3.214,P-value<0.01) and (t-value=4.337,P-value<0.01) respectively. But provider of capital exhibit statistically insignificant negative relationship with comprehensive reward control (t-value=-1.375,P-value>0.05). However, there was no significant clue that variation in reward system of SMMEs in Lagos can be attributed to provider of capital pressures. The model fit of the regression line was also statistically significant with only 27% variation in the use of comprehensive reward control system were explained by the three institutional pressures.

5. Discussion of Findings

The results provide evidence that association pressures, to a greater extent, influence the use of diagnostic control system (t-value=4.000, P-value<0.01).This implies that the sampled firms engage in the accounting controls practice not purely on economic rationality or as require by their nature of operation but on the need to behave in a way that appeal to the association they belong to. In other words, the evidence suggest that as the pressure from association increase, there is likely tendency that the need to make use of diagnostic controls system not for the purpose of influencing employee behaviors increases. This confirms the prediction of institutional theory that: intra organization structure and procedures including accounting are largely shaped by institutional factors rather than cost minimizing objective. In essence, firms do adopt organization practices as a legitimacy tactics rather economic. This finding is consistent with the evidence provided by Jazayeri, Wickramsinghe and Gooneratne [40] who revealed variation in Management Accounting and Control Practices as a result of institutional pressure in two manufacturing companies in UK and Sri Lanka. It was reported that the externally imposed BSC adoption lead to internal controversies and consequently workforce became resistive. Similarly, Gamage and Generates' empirical evidence on

how organization actors change their existing Key Performance Indicator (KPI) in reference to customer specification is consistent with this research finding.

The empirical evidence on the relationship between interactive budget control, regulatory pressures and association pressures reveal the practice of interactively using budget to elicit information from subordinate by getting them involved in budget preparation and implementation as induce by the practice of their peers and in compliance with regulatory demand. Specifically, the quantitative results show that regulatory pressures has positive significant relationship (t-value=2.896, P-value<0.01) with interactive budget control practice. With this evidence, the manufacturing firms may be said to be using interactive budget control in line with the dictate of relevant regulatory agencies and practices of its peers much than the nature of their operation required. This finding, therefore partially confirms the prediction of institutional theory in the area of coercive and mimic isomorphism. Essentially, the theory maintains that organization do adopt or use techniques out of the need to avoid sanctions than economic or behavioral reasons. Previous empirical evidences that are consistent with this finding were that of Dambrin *et al.,* [21] and Ezzamel *et al.,* [28]. Similar empirical evidences were also observed for reward control practices. In other words, regulatory pressures and association pressures account for variation in reward control practices (t-value=0.084, P-value<0.01) and (t-value=0.089, P-value<0.01) respectively.

5. Conclusion and Recommendation

Important conclusion draw from these findings are that the use of interactive, diagnostic and reward system, to greater extent, are driven by association pressures and regulatory pressures. Thus, SMMEs practices of these techniques may not be informed by the need to achieve goal congruence but need to appeal to pressures. In addition, Managers or owners of these SMMEs may not necessarily employ various accounting techniques particularly budget in a way that will result to organisation justice and harmony. As long as long pressures account for the usage of these techniques, managers may pay leap service to the requisite skills for effective use of these instruments adequate. Consequently, organization may unnecessarily incur avoidable cost on the use of accounting control for other purposes that are not goal –congruence driven.

Small and Medium Manufacturing firms are advised to developed appropriate control system that can be sustainable in context of economic and behavioral needs to a large extent in order to be efficient and effective. Various Pressures from business environment should be carefully managed such that legitimate motive and rationality drive are clearly separated while making choice of accounting control techniques for practice.

Notwithstanding with these conclusions and recommendations, caution should be taken in generalizing findings beyond this study's research site and across countries. For this reason, future study may be conducted to cut across sectors and countries. In addition, studies on non-accounting control techniques through the lens of institutional theory may also be carried out, since accounting control techniques are one aspect of management control systems.

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Appendices

Appendix One: **Descriptive Statistics for Survey Items**

Table 3.1: Panel A

S/N	Items	Min	Max	Mean	S.D
Diagnostic Control					
1	To what extent does management use budget to identify critical performance variables	1	7	4.08	.950
2	To what extent does management use budget to set targets for critical performance variables	1	7	3.02	.971
3	To what extent does management use budget to monitor progress towards critical performance target	1	7	3.13	.877
4	To what extent does management use budget to provide information to correct deviations from present performance targets	1	7	3.11	.901
5	To what extent does management use budget to review key areas of performance	1	7	3.04	.907
INTERACTIVE CONTROL					
1	To what extent does management use budget to provide a recurring and frequent agenda for top management activities	1	7	4.08	.931
1	To what extent does management use budget to provide a recurring and frequent agenda for top management activities	1	7	4.08	.931
2	To what extent does management use budget to provide a recurring and frequent agenda for subordinate activities	1	7	5.23	.854
3	To what extent does management use budget to enable continual challenge and debate of underlying data, assumptions and action plans with subordinates and peers	1	7	3.05	.847
4	To what extent does management use budget to focus attention on strategic uncertainties	1	7	4.05	.931
5	To what extent does management use budget to encourage and facilitate dialogue and information sharing with subordinates	1	7	3.78	1.169

Table 3.1:Panel B

S/N	Items	Min	Max	Mean	S.D
Performance Based					
1	Subordinates whose performance relative to targets is among the top 25% are given larger financial rewards than those given to managers among the bottom	1	7	5.58	1.121
2	Compensation contracts clearly specify how compensation is related to subordinate performance relative to performance targets	1	7	5.43	1.219
Subjective/Objective Based					
1	How flexible are subordinate performance targets once they have been set	1	7	5.88	1.100

Table 3.1: Panel C

S/N	**Regulatory Pressures** **Items**	**Min**	**Max**	**Mean**	**S.D**
	The use of the following control mechanisms are in response to regulatory requirement(e.g., Tax regulation, Companies and Allied Matter Act, Environmental Law and other relevant law)				
1	Planning control	1	7	6.01	.924
2	Measurement control	1	7	5.80	.923
3	Compensation control	1	7	5.90	.919
4	Structure control	1	7	5.94	1.00
5	Policies and Procedures control	1	7	6.03	.881
6	Sociological controls	1	7	5.93	.964

Table 3.1 :Panel D

S/N	**Association Membership** **Items**	**Min**	**Max**	**Mean**	**S.D**
	Being a membership of manufacturing association and other related association, the following MCS are in use to enjoy the eco-operation the association				
1	Planning control	1	7	6.16	.794
2	Measurement control	1	7	5.98	.858
3	Compensation control	1	7	6.03	.868
4	Structure control	1	7	6.05	.893
5	Policies and Procedures control	1	7	6.01	.920
6	Sociological controls	1	7	6.04	.926

Table 3.1 :Panel E

S/N	**Provider of Capital** **Items**	**Min**	**Max**	**Mean**	**S.D**
	The use of the following MCS is in line with dictate of provider of capital:				
1	Planning control	1	7	5.94	.912
2	Measurement control	1	7	5.84	.815
3	Compensation control	1	7	5.94	.897
4	Structure control	1	7	6.03	.938
5	Policies and Procedures control	1	7	6.03	.918
6	Sociological controls	1	7	5.98	.895

Appendix Two: Validity and Reliability Test

Table 3.2 Construct Validity

ITEMs	**Factor Loading (PCA)**	**Variance extracted**	**Cronbach's alpha**
Diagnostic Budget practice:		**59.39%**	**0.949**
DBD1	**0.660**		
DBD2	**0.710**		
DBD3	**0.674**		
DBD4	**0.699**		
DBD5	**0.754**		
Interactive budget Practice			
INBD1	**0.667**	**62.96%**	**0.894**
INBD2	**0.702**		
INBD3	**0.650**		
INBD4	**0.661**		
INTBD5	**0.653**		

Reward/Compensation				
RW1		**0.820**	**61,23%**	**0.780**
RW2		**0.872**		
RW3		**0.749**		
Regulatory Pressures				**0.846**
	RPR1	**0.671**		
	RPR2	**0.778**		
	RPR3	**0.793**		
	RPR4	**0.732**		
	RPR5	**0.802**		
	RPR6	**0.741**		
Association Pressures				**0.848**
	APR1	**0.740**		
	APR2	**0.787**		
	APR3	**0.743**		
	APR4	**0.771**		
	APR5	**0.735**		
	APR6	**0.767**		
Provider of Capital Pressures				**0.862**
	PCPR1	**0.791**		
	PCR2	**0.899**		
	PCR3	**0.755**		
	PCR4	**0.560**		
	PCR5	**0.751**		
	PCR6	**0.860**		

Note: DBD=Diagnostic Budget, INBD=interactive Budget, RW=reward system, RPR=regulatory pressure, APR=Association Pressure, PCPR=Provider of Capital Pressure

Appendix Three: Test of Multi-collinearity

Table 3.3. Correlation Matrix

	DiagnosticB	IntractiveB	RewardC	RegulaoryP	CapitalP	AssociationP
DiagnosticB	1					
IntractiveB	.779**	1				
RewardC	.597**	.644**	1			
RegulaoryP	.155*	.638**	.656**	1		
CapitalP	.288**	.540**	.639**	.572**	1	
AssociationP	.207**	.608**	.266**	.257**	.293**	1

***,*:P-value significant at< 0.05.0.01,respectively.*

Appendix Four: Results on the relationship between Dependent and Independent Variables

Table 4.1 Multiple Regression Results

Depedent variable(Adj.R^2)	Idependent Variable	Coefficient	Standard errors	T-value	P-value
Model 1	Regulatory pressures	0.059	0.071	0.832	0.406

.Diagnostic Budegt(0.413)	Association Pressures	0.335***	0.084	3.890	0.000
	Provider of capital Pressures	-0.039	0.083	-0.469	0.643
Model 2 .Intractive budget(0.459)	Regulatory Pressure	0.150***	0.051	2.941	0.004
	Association Pressure	0.231***	0.060	3.850	0.000
	Provider of capital Pressure	0.076	0.060	1.266	0.201
Model 3. Reward Control(0.270)	Regulatory pressure	0.270***	0.084	3.214	0.001
	Association pressure	0.386***	0.089	4.337	0.000
	Provider of capital pressure	-0.044	0.032	-1.375	0.170

***,**,*:significant at p-value <0.01,0.05,010 respectively.